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NEWS SUMMARY

GENERAL

Health unions to step up pay battle

Health Service unions, campaigning for a 12 per cent pay rise, are winning more support from other workers.

Scottish miners' president Michael McGahey called on his 15,000 members to strike on June 23, the day of the next 24-hour strike by health unions.

There is also increasing grass-roots pressure for escalation of the dispute by Cohse members, whose annual conference starts today. An emergency resolution to be discussed calls for all-out strikes at key hospitals.

Nuclear protest

Anti-nuclear demonstrators, jubilant after about 1m people attended a New York rally, plan to block the UN missions of the five nuclear powers. U.S. Defence Secretary Casper Weinberger said the rally would not change Government policy.

Curbs 'eased'

Poland's Military Council of National Salvation told the Minister of the Interior and local officials "to ease selectively" restrictions, after six months of martial law. Page 3

Mauritius pledge

The left-wing government-elect of Mauritius, which gained all 62 seats in elections, pledged it will not abuse its overwhelming mandate. Page 3

Troops move in

Intense military activity was reported in the southern Zimbabwe province of Matabeleland by Government forces in areas frequented by armed dissidents. Page 3

Access ordered

Zimbabwe's Supreme Court ruled that two aides of opposition leader Joshua Nkomo, held under emergency powers since March 10, must be allowed access to lawyers.

Cafes blasted

Bomb blasts ripped through two Jewish-owned cafes in Paris and injured two people. No-one has claimed responsibility.

Kampuchea bid

Foreign ministers of five non-communist south-east Asian countries meet today in Singapore to attempt to break the deadlock in diplomatic efforts to remove Soviet-backed Vietnamese troops from Kampuchea.

Prior claim

Northern Ireland Secretary James Prior dismissed Commons opposition to the Northern Ireland Bill as being restricted to a "few backbenchers." Page 6

Ballet loss

Dame Marie Rambert died in London, aged 94. She founded the Ballet Rambert, often called the cradle of British ballet, in 1926. Page 15

World Cup opens

Belgium beat Argentina 1—0 in the opening match of the World Cup, in Barcelona.

Briefly . . .

Finnish pilot was killed when his MiG 21 crashed 300 miles from Helsinki.

Jimmy Connors beat John McEnroe 7—5, 6—3 to take the £13,000 prize in the Stella Artois tournament at Queen's Club.

Cricketer Ken "Slasher" Mackay, 58, who played in more than 100 Tests for Australia, died in Brisbane.

BUSINESS

Fisheries proposals cause new EEC row

● EUROPEAN COMMISSION proposals on a Common Fisheries Policy are expected to arouse strong Danish opposition in Brussels today. Britain sees the agreement as ending a bitter EEC dispute and is satisfied by plans for a six-mile exclusive zone around its coast surrounded by a six-mile limited access zone. Back Page.

● NEW YORK Stock Exchange profits fell sharply in the first quarter to $30m against $32m in the first quarter of 1981. Page 22

● FRANCE is raising a $70m (£39m) yen/dolalr credit at a margin over Japanese prime rate. Page 21

● MEXICO'S Comision Federal de Electricidad has cancelled a $2bn tender for construction of its second nuclear power station because of financial problems. Page 3

Union apathy on European links

● TUC CAMPAIGN for withdrawal from the European Economic Community has evoked an apathetic response, with only six replies from 108 affiliated unions and opinions split. Back Page

● FINANCE MINISTERS of the EEC meet in Luxembourg today to settle differences over export subsidies which could cause a trade row with the U.S. and Japan.

● LABOUR would re-impose controls on capital movement out of the UK, to prevent the "scandal of capital outflows," Mr Peter Shore, the Shadow Chancellor, warned in Scotland at the weekend. Page 6.

● MR NORMAN TEBBIT, the Employment Secretary, will decide soon on the shape of the youth training scheme. Page 5

● LIFE INSURANCE figures for the first quarter of 1982 show new premiums for individuals and personnel pensions increased by just over 5 per cent. Page 5

● NATIONAL COAL BOARD has applied to Leicestershire County Council for permission to sink a mine at Asfordby in the Vale of Belvoir. Back Page

● WALLPAPER industry contraction has forced Reed International, whose Crown brand holds 25 per cent of the UK market, to reduce its workforce to 1,200 and capacity to 25m rolls yearly. Page 6

● COMMERCIAL UNION Assurance staff are considering strike action over a 7.5 per cent pay offer, after other companies have agreed to 8-10 per cent rises. Page 8

COMPANIES

● SIFIDA, the South African multinational investment corporation, has declared a 2 per cent dividend. Page 22

● SHARES OF KEPPEL Shipyard, a Singapore listed shipbuilding company, will be traded on the London Stock Exchange from Thursday. Company pre-tax profits have risen in recent years to 1981's S$153.5m (S$40.5m). Page 18

● MORGAN CRUCIBLE'S chairman, Mr Ian Weston Smith, predicts pre-tax profits of the group this year will show an improvement on 1981, but warns that the U.S. recovery is likely to be a year late. Page 19

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Lebanon truce ends after 15 hours

BY DAVID LENNON IN TEL AVIV AND ANTHONY McDERMOTT IN BEIRUT

FIGHTING flared between Israeli forces and Palestinian guerrillas in Lebanon yesterday *only 15 hours after the two sides* had agreed to a ceasefire.

Israeli aircraft and artillery pounded Palestinian positions south of Beirut and further clashes were reported from Sidon, Lebanon's third largest city. The ceasefire between Israel and Syria appears to be holding.

The death toll is mounting alarmingly. At least 1,500 people, many of them Lebanese civilians, are thought by the Red Cross to have died so far in Sidon.

The Lebanese authorities estimate that 400 people have died in Beirut in the past two days alone. Up to 600,000 are said to have been driven from their homes.

Hospitals cannot cope with the flood of injured, and bodies are being stacked in adjoining buildings because the morgues are full. Urgent appeals have been made for supplies of medicines and equipment.

There is the risk of epidemics because water and electricity supplies are cut in many areas. Food shortages are also becoming acute.

Israel is believed to have presented yesterday a tough set of conditions to Mr Philip Habib, the special U.S. envoy, for its withdrawal from Lebanon.

The Israeli Cabinet worked out o nSunday what it called a "basic proposal" for a future settlement. More than 100 Israelis demonstrated outside the meeting calling for the immediate withdrawal of Israeli forces.

Israel has said its troops will not withdraw until arrangements are made to prevent the Palestinian guerrillas from recreating their military infrastructure in the areas from which the Israeli troops would be removed.

A ministerial negotiating committee of seven, headed by Mr Menahem Begin, the Prime Minister, met for 90 minutes with Mr Habib last night. It told him that Israel wants the removal of all PLO bases from Lebanon and that it wants efforts made to ensure that all foreign forces are withdrawn.

Israel would also like to see an international force created with U.S. participation to police a demilitarised zone in southern Lebanon up to 25 miles north of the Israeli border. But Israel said it would not initiate any move for a United Nations force in this area, because Soviet approval and participation would be required.

Mr Begin told the cabinet yesterday morning he was opposed to any suggestion of a disengagement of forces between Israeli and Syrian military units in Lebanon.

Mr Habib is expected to go to Damascus to discuss the proposals with President Hafex al Assad and then to return later to Israel with the Syrian suggestions. However, there was no confirmation last night of the envoy's travel plans.

Some of the heaviest fighting yesterday centred on the village of Khalde, just south of Beirut airport and in the hills to the east. Lebanese government sources said the Israelis were trying to seize control of a network of smal roads which could be used by Palestinian guerrillas to escape from the capital.

A PLO spokesman said he believed the Israelis were still trying to encircle Beirut "so they can get the concessions they want."

Western journalists in Sidon saw Israeli troops using heavy weapons in an attempt to subdue the Palestinian refugee camp of Ein Hilna. Sniping in other parts of the town hampered rescue efforts.

Israel's losses in the war also continued to mount and an army spokesman said yesterday that more than 130 soldiers had died so far. The losses are considered high by Israeli standards, in what was meant originally to be a limited operation. Details, Page 4

Fahd assumes Saudi throne

BY RICHARD JOHNS,

KING FAHD, the former Crown Prince, assumed the throne of Saudi Arabia and Prince Abdullah, the Commander of the National Guard, became the new heir apparent yesterday following the death of King Khaled from a heart attack at the age of 69.

The succession was proclaimed a few hours after the formal approval of religious leaders had been obtained.

Continuity of Saudi policy under King Fahd, 61, who has been chiefly responsible for its formulation over the past seven years, seemed assured.

His voice choking with emotion, the new leader pledged to pursue the "march, hopes and plan" of his half-brother in a broadcast to the Saudi people.

President Hosni Mubarak of Egypt is to fly to Riyadh tomorrow to present his condolences. His visit may herald a rapprochement or even a reconciliation between Cairo and Riyadh following a three-year freeze in relations.

No announcement was made in the Saudi capital but it was clear by implication that Riyadh had given the go-ahead for the Egyptian leader to come.

Mr Mubarak's initiative yesterday in making the first public contact between the two countries since the rupture and the announcement of his visit to Saudi Arabia were particularly significant in view of Cairo's bitter criticism of Israel's invasion of Lebanon.

In his fullsome tribute to the late King, Mr Mubarak referred to him as a "dear brother . . . who stood by us in our hours of need."

In a further conciliatory gesture the Egyptian government announced a 14-day period of mourning.

Mr Mubarak had evidently wished to attend the funeral of King Khaled. But the monarch was buried quickly yesterday afternoon without pomp in accordance with Saudi practice after the body had been flown from Taif, the mountain resort in the Western Province, to Riyadh.

Mr Mubarak's wish to attend the funeral and the Saudis' willingness to receive him are in marked contrast to the funeral of President Anwar Sadat last October. Then Arab representatives came only from the three Arab countries which maintained relations with Egypt after the signing of the peace treaty with Israel.

New king's unenviable mantle, Page 17

Prices and incomes freeze in France

BY DAVID HOUSEGO IN PARIS

THE French Government announced yesterday a four-month prices and incomes freeze as the main feature of a stabilisation package to support the devaluation of the French franc over the weekend.

The intention of the administration, led by the Socialist Party, is to bring the inflation rate down to less than 10 per cent. In the first quarter of this year, it was running at an annual rate of 13.5 per cent.

The Government thus hopes tobring the French rate closer to that of its main industrial competitors and to avoid renewed speculation against the franc, which has caused a heavy loss of foreign exchange reserves in recent months.

The measures, which include a freeze on dividend distribution and new efforts to control the budget deficit, are the greatest retreat yet from the expansionist policies which the Socialists announced on taking office in May last year. The Government intends to preserve its heavy programme of public investment in industry. It is thus resisting any attempt to label the package as deflationary.

But the measures show that the Government's concern with inflation now matches the priority it gives to employment. Doubts were being expressed here yesterday, however, about the effectiveness of the interventionist approach the Socialists have chosen.

In support of the 10 per cent devaluation against the D-mark, on this the second devaluation of the franc in eight months, the government announced that all industrial and retail prices, as well as rents and services, will be frozen until the end of October at their levels of last Friday.

Exceptions are pricse of agricultural produce which are subject to EEC agreements, and prices of fruit and vegetables. Fuel prices wil lalso be allowed to go up, butthe government has yet to decide whether the rise can be reflected in electricity prics.

Wage and salary increases during the peroid of the freeze —when the government none the less expects prices to rise at an annual rate of 3 per cent—will also be hed steady. Some oss of purchasing power will thus be entailed. As a result, wage indexation agreements in the public and private sector have been suspended. An exception has been made for those on the minimum wage. Their earnings will continue to rise at a little more than the inflation rate.

In a gesture to unions the distribution of dividends has been halted and frozen.

The government intends that the prices and incomes freeze should give way to a negotiated wages and incomes policy. The yardstick for price increases in the second half of the year will be 3 per cent. Employers and unions are to meet the government on Thursday

Over the budget deficit, the government wants to hold it to a ceiling of FFr 107bn (£9.633bn) this year and FFr 120bn in 1983—both figures equivalent to 3 per cent of GNP. The planned budget deficit for this year had been FFr 95bn, but it has since swelled to FFr 125bn.

Smoothe currency shuffle, Page 2
Editorial comment, Page 16

Britain holds most of high ground round Port Stanley

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE Government said yesterday that British forces held most of the high ground round Port Stanley. The Defence Ministry in London meanwhile *conceded that the first civilian* casualties among Falkland Islanders might have occurred.

There was "sadly some evidence" that two people could have been killed in the weekend action and four seriously injured, the Minister said.

First reports of the casualties, naming six people, came from Buenos Aires on Saturday.

Mr John Nott, the Defence Secretary, said last night that following what he had earlier described as the weekend's brilliant attack on Argentine positions near Port Stanley, British troops were now firmly in control of key high ground round the Falklands capital.

About 400 prisoners were taken, Mr Nott said. British troops controlled Mount Longdon, the Two Sisters Ridge, and Mount Harriet.

Mr Nott was making his first statement since he announced on Saturday night that the advance on Port Stanley, expected for the last two weeks, had begun.

His announcement that British troops were firmly entrenched in the hills round Port Stanley shows that the noose has tightened further round the estimated 6,000-7,000-strong garrison in the Falkland Islands capital.

Mr Nott also had bad news to announce. Apparently confirming weekend Argentine reports, he said that the Glamorgan, a 6,200-ton County class destroyer, had been hit by Argentine fire. Nine members of ship's company were killed and 17 wounded.

It was presumed last night that the Glamorgan was damaged off Port Stanley.

He indicated that the destroyer was involved in the bombardment of Port Stanley. *He added that land operations* had been supported by attacks from Harrier aircraft.

There was a successful attack

Continued on Back Page
Other Falklands crisis stores, Page 2

Bluff Cove: 50 died

CASUALTIES on Tuesday when Argentine aircraft *bombed ships landing troops* at Bluff Cove totalled 43 soldiers and seven sailors, said Mr John Nott, the Defence Secretary, yesterday. Four soldiers were missing, presumed dead, and 55 servicemen wounded.

Mr Nott, who had begun by saying that he now felt able to reveal the casualties, said that on the Sir Galahad three naval officers and two sailors died. The Sir Tristram had two dead. The remainder of the crew were safe. This brings the total British death *toll in the campaign to 185.*

Franc and lira devalued

BY JOHN WYLES IN BRUSSELS

THE DEVALUATION of the French franc by 10 per cent against the D-mark and the Dutch guilder, is the sixth and possibly the most important realignment yet within the European Monetary System. The Italian lira has been devalued by 7 per cent.

The franc's devaluation follows an 8.5 per cent drop against the same two strongest EMS currencies nine months ago and is the largest single cut in the value of a currency since the system started 39 months ago.

It was secured on Saturday evening over the largely tactical hesitation of other governments and comes after weeks of speculative pressure which has severely drained France's foreign exchange reserves.

Increasingly, the markets have focused on the double digit gap between the French and West German inflation rates and the fact that French inflation, public spending and balance of payments all appeared to be overshooting government targets.

France is now expected to seek EEC help in trying to rebuild its reserves. M Jacques Delors, the French Finance Minister, is believed to have told other EEC finance ministers at their special meeting on Saturday that Paris would be seeking a *Community loan soon.*

Although he gave no details, Paris is thought likely to draw from a $7bn Community facility which was established early last year to help countries with balance of payments problems.

The franc and lira devaluations were partly achieved with the help of a 4.25 per cent revaluation of the DM and the guilder and partly by a 5.75 per cent devaluation of the franc against all other EMS currencies except the lira which is reduced by a lesser 2.75 per cent.

The cross rates between the other EMS currencies—the Danish crown, the Belgian and *Luxembourg francs and the* Irish punt—remain unchanged but their bilateral central rates with the DM and the guilder drop by 4.25 per cent.

Yesterday's announcement of an austerity package by Paris was widely seen as the price imposed by West Germany for its agreement to a franc devaluation.

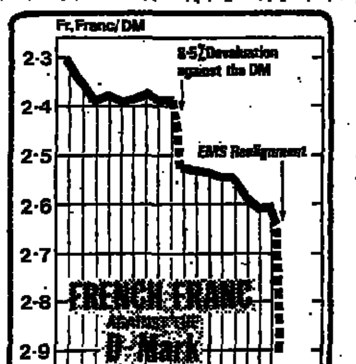
European Commission officials see this as breaking new ground within the system and a clear indication that currencies labouring with fundamental economic weaknesses, such as the franc and the lira, must now be ready to adjust domestic policies in return for a realignment.

Italy's request for a devaluation was prompted largely out of a fear of losing competitiveness in relation to France. The lira's devaluation and yesterday's French economic package will be used by Christian Democrats in the Rome coalition to urge the Socialist Party to agree to new moves to lower Italian inflation and public spending.

Stewart Fleming adds from Basle: Some central bankers were still expressing concern yesterday about the long-term future of the EMS following the week-end realignment of currencies.

In Basle, where the world's leading central bankers were gathering yesterday for the annual meeting of the Bank for International Settlements, Dr W. F. Duisenberg, head of the Dutch Central Bank, said that although it was hoped that the realignment would promote convergence *in the economic* performance of the EMS members, the frequency of such realignments was beginning to run counter to the original conception of the system.

French austerity package, Page 2



THE NEW ECU CENTRAL RATES
(in units of national currency)

Belgian franc	44.9704
Luxembourg franc	44.9704
DM	2.33379
Dutch guilder	2.57971
Danish krone	8.2340
Italian lira	1350.27
Irish punt	0.691011

BR talks to customers as strike looms

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

BRITISH RAIL is mounting a campaign explaining to major freight customers its position in the threatened strike action by the National Union of Railwaymen two weeks today.

Many customers are becoming increasingly restless about staying with rail, and BR fears some may turn to road transport.

The British Rail board expects that all three rail unions will meet the consultative Rail Council on Thursday when the potential damage of the threatened action will be spelled out. British Rail will reiterate the gravity of its financial position and the strike's *threat to investment* policy, which was emphasised last week by Mr David Howell, Transport Secretary.

The threat of renewed industrial disruption to the railways comes when BR is still renegotiating its contract with the Post Office for carrying letter mail. The Post Office is expected to continue using BR for the bulk of its letters. But the prospect of more rail disruption is clearly an embarrassment for BR and could mean the Post Office putting more business with other carriers.

The British Steel Corporation, already confronted with major problems over the steel trade war with the U.S. and a sharp fall in orders, is trying to make contingency plans for the disruption to deliveries and supplies of raw materials should the strike go ahead. The train *drivers' dispute at the beginning* of the year cost BSC £11m. Much of BSC's products go by road, but certain products, such as heavy sections and plate, must be transported by rail.

The disruption to supplies of raw materials is more serious in the long run to BSC—plants such as Ravenscraig, Scunthorpe, and Llanwern are almost wholly dependent on rail deliveriies.

The National Coal Board, with 70 per cent of its coal moved by rail, is resigned to the fact that a prolonged shutdown of the railways will virtually halt coal movement.

Financial Times Correspondents examine the consequences of realignment in the European Monetary System

Rome under pressure to cut state borrowing

By Rupert Cornwell in Rome

THIS WEEKEND'S 2.75 per cent devaluation of the lira has added to the pressure on the Italian Government to settle its long-mooted package of austerity measures which is aimed at bringing the public sector borrowing requirement under control.

The Rome delegation in Brussels led by Sig Nino Andreatta, the Treasury Minister, had been hoping to avoid any devaluation.

The authorities have argued such a step would merely push up inflation, which is running at about 15 per cent, and offer only a short-lived competitive edge to Italian exporters.

In recent weeks, the lira has escaped the worst of foreign exchange market turbulence. Moreover, what is expected to be a highly successful tourist season is about to get into full swing and generate large inflows of foreign currency.

Italian industry, however, will warmly welcome the new 7 per cent advantage it has gained against West Germany, the country's biggest trading partner, and a major rival in third country export markets.

The devaluation is the third for the lira in 15 months. Last year there were two downward shifts of 6 per cent and 3 per cent. The authorities are now hoping the exchange rate against the dollar will remain reasonably stable, thus avoiding any sharp increase in the cost of raw material imports.

Sig Giovanni Spadolini, the Prime Minister, indicated again on Saturday that a package of austerity measures would be adopted soon. It would be designed to bring the state deficit back within its previously scheduled ceiling of L50,000bn (£21bn) for 1982.

If nothing is done, it is estimated the deficit will soar to L65,000bn, equivalent to about 13 per cent of gross domestic product.

Agreement on what precisely is required, however, will call for a greater harmony between Christian Democrat and Socialist ministers within the ruling five-party coalition

Smooth currency shuffle may mark coming of age

BY JOHN WYLES IN BRUSSELS

THIS WEEKEND's relatively smooth realignment of currencies within the European Monetary System has produced not only an important change of direction in French domestic economic policy, but also the first signs that the system may yet actively promote the convergence of economic policies within the EEC that its architects once hoped for.

Immense pressure in this direction is now being exerted by the West German Government and its increasingly robust Deutschemark. Fearing that the EMS will lose all meaning and value by a constant cycle of realignments caused by misguided policies in France and elsewhere, the Germans were adamant at the weekend that governments seeking devaluations must now urgently make the policy adjustments necessary to correct the fundamental weaknesses in their currencies.

In a move that was obviously closely co-ordinated with Bonn, M Jacques Delors, the French Finance Minister, arrived in Brussels on Saturday afternoon with all the details in his briefcase of the austerity measures announced in Paris yesterday.

This was the price the French Government knew it had to pay for the effective 10 per cent devaluation against the DM which has enabled it to remain in the EMS club. Its readiness to do so and to court the disenchantment of the French Left is a measure of its appreciation of the economic and political importance of the EMS.

In other words, EMS membership requires France to keep within hailing distance of German economic performance or otherwise the divergences between the franc and the DM just cannot be contained within the system. This in turn requires a speedy narrowing of the inflation differential between the two countries, which is now approaching 10 percentage points. The package announced by the Mitterrand Presidency yesterday is its first serious step in that direction.

In or out of the EMS, France would have to adopt comparable measures if the Common Market is not to be put at risk. France has a strongly protectionist pulse which has been quickening through rising imports of German cars, Italian wine and other EEC goods.

Its economy must begin to march more closely to the tune of its major trading partner, West Germany, or face something much worse in terms of unemployment, balance of payments deficits and investment starvation.

But this imperative is not peculiar to France alone. The Dutch economy is so closely linked with the German that the Netherlands again felt bound, as it did last October, to keep the guilder revaluation in line with the DM.

Belgium, whose 8.5 per cent devaluation in February has brought little relief to its franc, issued a significant declaration on Saturday evening that its commitment to the Bonn economic policy song sheet is as firm as ever. M Willy de Clercq, the Finance Minister, promised that Belgium's 1983 budget would show a fall in real terms in public spending, that incomes would continue to be held down in 1983 and 1984 and that tight money and a vigorous fight against inflation would remain the hallmarks of Brussels' approach to its economy.

If the Belgian franc remains suspect, so too does the Italian lira, despite its effective 7 per cent devaluation against the DM and the guilder. Again, this was not secured without an undertaking from Sig Nino Andreatta that Rome, too, will bring in austerity measures aimed at curbing public spending and inflation "within the next few days."

Having bound Germany's weaker brethren more closely to its view of the correct economic path, Herr Manfred Lahnstein, the West German Finance Minister, lost nothing in conceding that stronger economies also have their resousibilities within the EMS. The communique says that Germany and the Netherlands "note that the adjustments will facilitate policies in their countries helpful to an economic upturn." This means that West Germany at least, will seek to lower its domestic interest rates—a move which, in any case, looked likely to follow the softening of U.S. rates and the drift of funds back to the DM which began last week.

Having agreed their realignment, the EEC Ministers then presented it publicly as "further evidence of the ability of the EMS to face the present difficulties stemming from the international economic and monetary situation in a show of solidarity and co-operation, and emerged strengthened.

For once this ritual declaration may have some content. On Saturday, as it faced its third realignment in nine months, the EMS' claim to have established a zone of monetary stability in Europe was beginning to sound a little hollow — Saturday's agreement and its consequences could mark a coming of age.

CENTRAL BANKS intervened heavily on Friday as the two strongest and two weakest members of the European Monetary System came under pressure at their maximum intervention limits.

Ahead of the EMS a realignment announced on Saturday, the Bank of France intervened very heavily to prevent the D-mark and Dutch guilder rising above their intervention points at the Paris fixing.

The Belgian National Bank was also forced to support its currency against the German and Dutch units and the Bundesbank announced intervention to assist the French and Belgian francs at the Frankfurt fixing.

The German central bank bought FFr 93m and BFr 22m on Friday as the French and Belgian francs were fixed at their EMS floor against the D-mark, but support for the two currencies on the open market was probably far more significant.

'Double strategy' pleases Bonn

By Jonathan Carr in Bonn

WEST GERMANY is delighted that the realignment of currencies within the European Monetary System (EMS) this weekend is being backed by belt-tightening measures in France and Italy. Bonn feels this "double strategy" could give the EMS a new lease of life.

Government officials here stress that the latest alteration of EMS parities—the sixth since the system was formed more than three years ago—would not have been worthwhile without a tougher domestic stance by the high-inflation member countries.

Currency moves alone, it was feared, would have paved the way for yet another realignment before long. That, in turn, it is felt, would have undermined the system's credibility and perhaps endangered its very existence.

Attention is drawn to the difference between this weekend's EMS moves and the last major realignment in October last year (followed in February by devaluation of the relatively less important Belgian franc and Danish krone.

Last October, it is noted, the devaluation of the franc by 3 per cent was accompanied by no domestic policy changes likely to reduce the French inflation rate—which was, and remains, more than double th. German one.

This time, the French are introducing what the Germans see as a tough package. If it really bites—as Bonn fervently hopes it will—it should help to bring down French inflation and costs, improve French competitiveness and underpin the franc.

The Germans were told about the French intention to devalue and to introduce stability measures on the margins of the Western economic summit conference in Versailles a week ago.

Both for the German Government and the independent central bank, the Bundesbank, the French action is a major relief. It is described here as the satisfactory result of a "learning process" which has been under way since the new leftist administration came to power.

THE FRENCH AUSTERITY PACKAGE

Mitterrand keeps his distance from the bitter medicine

BY DAVID HOUSEGO IN PARIS

"WE follow the same policy. We retain the same objectives," said M Mitterrand on Wednesday last week. Anybody listening to the French President at his press conference—more confident and assured than ever—had good reason to doubt whether serious measures were in the pipeline to tackle the gravity of France's economic problems and the risk of continuing to run an inflation rate three times that of West Germany.

What is now clear after the weekend's events is that M Mitterrand had resigned himself to a devaluation some time ago and was prepared for the stabilisation measures to accompany it. In private conversations at the Versailles economic summit, he and his ministers made clear that they had been won over to the virtue of pruning budget deficits.

But M Mitterrand has divided the political tasks. He has taken on himself the role of national leader who stands above the day-to-day conflict but nonetheless reassures the Socialist Party faithful and the Communists that the Government holds to its charted course. It has been left to M Pierre Mauroy, the Prime Minister and M Jacques Delors, the Finance Minister, to announce the bitter medicine and to take the blame if it fails.

To have been forced within eight months into a second devaluation and into austerity measures is undoubtedly a humiliation for the Socialists.

M Mitterrand needs no reminding that the last time a French Government imposed a stabilisation package was in 1976 after the attempt by M Jacques Chirac — then Prime Minister and now leader of the Opposition — to reflate the economy ended also in dangerously high rates of inflation and a widening trade deficit.

The subsequent measures imposed by M Raymond Barre, who took over as Prime Minister, also included wage and price controls. The emphasis now being given to combating inflation — almost eclipsing the Socialists' initial goal of bringing down unemployment—also smacks of the policies of M Barre that the Socialists so vigorously denounced.

The question remains whether yesterday's measures will succeed in removing the divergence in French economic performance and preventing a further devaluation.

The feature being given most weight yesterday was the four month wage and prices freeze. This is not entirely what M Delors would have wanted because the squeeze it will put on already depressed company profit margins will be a further disincentive to investment.

The business community will also be discouraged by the freeze on dividend distribution —evidently intended as a gesture to unions to show that the burden is being evenly shared.

But a prices freeze has long been championed by the radical wing of the Socialist Party as diminishing the rythym of inflation by enabling lower wage settlements that nonetheless maintain worker purchasing power. The Government hope to follow the freeze by a negotiated wage policy.

If this combination has historically never worked in France, the Government is putting its hopes in the belief that the unions will accept from the Socialists an austerity regime that they would not accept from the right. Initial talks between Government, unions and employers on how to break the inflation wage index link that has continually kept French inflations high are to begin on Thursday.

At first sight the measures to reduce the budget deficit look less severe than the French had signalled to the Germans or M Delors appeared to be indicating to his fellow finance ministers over the weekend.

The goal this year is to hold the deficit at 3 per cent of GNP —equivalent to FFr 108bn on the basis of a now anticipated growth in real GNP of 2 per cent. The initial budget estimates for 1982 had provided for a FFr 95bn deficit or equivalent to 2.6 per cent of then predicted GNP. The combination of lower tax receipts as the result of lower economic growth and ballooning expenditure had raised the probable deficit to FFr 125bn.

For 1983, the Government announced yesterday a budget deficit ceiling of FFr 120bn, equal to 3 per cent of GNP. They appear to hope to achieve this by sharp cuts in current expenditure (estimated to rise by 20 per cent this year)

The administration thus hopes to retain fixed capital public investment as both major stimulus of growth and the "locomotive" for modernising French industry. President Mitterrand announced last week that the Government would invest FFr 25bn next year in the competitive nationalised sector.

Nonetheless, as a result of both the deflationary measures and lower than anticipated inter national growth, the Government now expects only a 2.2 per cent rise in GNP next year. This compares with the more than 3 per cent growth it had hoped for in both 1982 and 1983.

M Jacques Delors: He will take the blame if the policy fails

M Mitterrand had hoped to put off austerity measures until after the municipal elections next spring—important both to the Communists and the Socialists in reinforcing their local electoral base. The impact of them is almost certain to diminish further the prospects of the left—though opinion polls also suggest that many Frenchmen welcome more realism.

THE FALKLANDS CRISIS

Red cross plans Stanley sanctuary zone for civilians

BY ANDREW WHITLEY, IN RIO DE JANEIRO

THE British Government yesterday welcomed a proposal by the International Red Cross Committee to establish a neutral zone in Port Stanley, the Falkland Islands capital, as a sanctuary for the hundreds of civilians trapped by the fighting.

About 600 of the town's original 1,000 inhabitants are believed to be still in Port Stanley, considerably more than the earlier reports of 200 to 300 suggested by the Defence Ministry in London. The revised figure follows a visit there by a two-man delegation from the ICRC, the Geneva-based relief organisation, last Thursday and Friday.

Britain has long been pressing for the safety of the local inhabitants to be taken more into account by the occupying Argentine forces and had asked the ICRC to look into their wellbeing. In welcoming the ICRC proposal, the Defence Ministry said it hoped the plan would be implemented immediately. So far there has been no reply from the Argentine Government.

The increasing danger to civilian lives as the British forces intensify their bombardments and ground attacks was brought home on Friday with the reported death of two local residents and injuries to four others. They were the first "Kelpers" believed to have been killed since the Argentine invasion.

On Saturday the ICRC issued a formal appeal to the British and Argentine Governments to allow a demilitarised zone to be set up for the benefit of wounded and sick civilians and soldiers from both sides. Civilians not taking part in the fighting would be called upon to take shelter inside the zone.

A precisely designated block in the heart of the town, around the cathedral, has been proposed. The block is adjacent to the main landing jetty on the harbour, but is not thought to have any military positions nearby.

A spokesman for the ICRC said yesterday that it was "clearly in the interests of both sides" to accept the proposal.

Demilitarised or neutral zones of this sort—covered by Article 15 of the third Geneva Convention—were established in Nicosia in 1974 during the Turkish invasion of Cyprus and in Dacca, the then capital of East Bengal in 1971. These were on a smaller scale than the plan now envisaged for Port Stanley, but worked successfully.

The ICRC said the plan would be to fly the committee's red and white flag from the corners of the demarcated area in Port Stanley and to paint large crosses on the roofs of buildings, to protect it against the danger of shelling or aerial bombardment.

Any soldier coming into the area to be treated would be required to hand over his weapons.

Five ICRC representatives are presently in the South Atlantic war zone: three of them temporarily based on the Uganda, the British hospital ship, and the other two supervising the increasingly busy traffic of wounded and repatriated prisoners-of-war through Montevideo, the Uruguayan capital.

The British hospital ship HMS Herald was due in Montevideo yesterday with 70 wounded British servicemen on board, to be transferred to a Royal Air Force transport plane to bring them back to Britain. A few hours earlier the Norland, a requisitioned ferry boat operating with the Task Force, had handed 1,051 Argentine soldiers captured at Goose Green over to the ICRC, for the short journey across the River Plate to Buenos Aires.

According to first reports, some 300 Argentines were taken prisoner during the weekend's assault on Argentina's forward positions around Port Stanley. They are being ferried back to the British headquarters at San Carlos and are also likely to be on their way home soon.

More problematic will be the disposal of the remaining 7,000 or 8,000 Argentines bottled up in Stanley, if and when they surrender. Britain may wish, as ameans of ensuring Argentine compliance fith a ceasefire, to hang on to them for some time but would undoubtedly face strong opposition to such a move

Generals step up war of words against 'aggressor'

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA is stepping up its campaign to paint the British Government as an aggressor and violator of human rights as its troops put up a last desperate defence of Port Stanley.

The campaign, which has surfaced whenever Argentina is suffering serious military reverses, appears to be aimed at preparing public opinion for what may be imminent defeat.

On Saturday a communique from the joint Chiefs of Staff said vessels from the British task force had fired on the homes of civilian residents in Port Stanley, killing two kelpers and seriously wounding four.

"These citizens . . . killed and wounded by British machine-gun fire are those which the British Government claims to be protecting and in defence of whose interests it claims to be fighting this war. . . ." said the communique, adding that Argentine doctors were making every effort to save the lives of the wounded.

An earlier communique said British aircraft had seriously damaged a private home and narrowly missed the Argentine hospital ship Bahia Paraiso when they attacked Port Stanley on Friday with air-to-ground missiles. The military authorities in Buenos Aires claimed the private home was a few yards away from the local Catholic church where a mass was being celebrated.

The hospital ship was reported to be carrying a commission of the International Red Cross, personnel and wounded troops.

The Chiefs of Staff said Argentina would denounce the attack through "diplomatic channels" and described it as a "clear violation of the most elementary human rights."

When asked by British journalists whether the military authorities believed British planes had intentionally fired on the hospital ship, an official suggested the question should be put to the International Red Cross.

Since full-scale hostilities broke out in the Falklands the bulk of an estimated 1,090 civilians living in Stanley have fled to farms in the interior of the island.

Over the weekend the Argentine military authorities said that some 200 civilians who are still in the capital (British sources put this figure at 600) had remained because they had been given the "freedom of choice" by Argentine troops.

Asked why they had not been offered adequate protection from the fighting, an official said he did not know.

The International Red Cross Committee has asked Britain and Argentina to establish a neutral zone in Port Stanley for wounded and sick civilians.

Over the weekend, the local media has sharply contrasted British "atrocities" with attention given to the Pope's visit by Argentina's military rulers.

The implicit suggestion that the members of the junta were men of peace while Mrs Thatcher was a bloody warmonger was summed up in the front page yesterday of the pro-Navy newspaper Conviccion:

"While in Palermo (the park in Buenos Aires where the Pope celebrated an open air mass on Saturday) they cried Peace, in the Malvinas the bloodbath had begun," the paper screamed in indignation.

Press pictures showed President Galtieri, on bended knee, receiving the papal blessing.

The arrival of Argentine naval Captain Alfredo Astiz after his release by the British authorities was relegated to back page coverage.

Captain Astiz, who was taken prisoner in South Georgia, was questioned in Britain last week by Swedish and French officials in connection with the disappearance of two nuns and the shooting of a young student.

Captain Astiz has been accused by human rights organisations of being directly responsible for the torture and death of a number of civilians.

He was reported to have been flown to Buenos Aires from Rio de Janeiro on Saturday in a special air force plane, after being taken to Brazil in a British Caledonian flight from London.

Last month the Argentine Defence Minister Sr Amadeo Frugoli publicly accused Britain of using cluster bombs in their raids on Stanley Airport. The raids were described as "crimes against humanity."

However, Argentine authorities have so far refused to comment on British reports that napalm bombs were found at Goose Green.

PERU GIVES ARGENTINA OFFICIAL CONCRETE AID

PERU HAS officially acknowledged for the first time that it is giving "concrete aid" to Argentina in its war with Britain. But it is stressing that this excludes any possibility of direct involvement, Doren Gillespie writes from Lima.

Sr Manuel Ulloa, the Prime Minister, said on Saturday that C-130 Hercules transport aircraft will be sent to Argentina on a mercy shuttle between Comodoro Rivadavia, the mainland base for the Falklands, and Buenos Aires. They will transport wounded brought from the islands.

Peru is also to receive delivery of eight Exocet missiles from France. Ordered by the Navy, these are believed to be the surface-to-surface version of the missile which Argentine naval aircraft have used to knock out two British ships.

No date was given for their delivery which will be in two shipments. Sr Ulloa said France decided to go ahead with the order, after first dragging its feet then changing its mind when the Peruvian Government protested.

Contrary to reports from Buenos Aires that Peru had supplied Argentina with replacement Mirage aircraft, the Prime Minister denied that there was any intention to send Mirages. However, last month a Boeing 747 of Aerolineas Argentinas, the national carrier, was stripped of its seats and sent to Lima on cargo duties.

Britain considers the future of a repossessed 'Fortress Falkland'

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

BRITISH DIPLOMACY over the Falklands is shortly to enter its third phase—when Britain will have to reach an understanding with the world over what it does with the islands it is now painfully recapturing.

This new phase is seen by the Foreign Office as just as testing as the troubles it faced during the seven weeks it tried to force Argentina to accept a negotiated settlement. Then it had the double problem of mobilising allies abroad while riding out domestic criticism for having allowed the crisis to develop.

On May 20, that phase ended and the second one began. It was then that Mrs Margaret Thatcher told the House of Commons that Britain's peace proposals were withdrawn.

"Diplomacy is on holiday," one top official involved in the crisis said grimly that evening. Hope that military action could be avoided was dead. The main task of Britain's missions abroad has been since to protect the backs of the country's troops by ensuring international acquiescence in their operations.

The second phase has gone relatively well. The EEC has largely stood firm, with all but two members extending sanctions indefinitely. The Versailles summit ended with a ringing endorsement of Britain's aim of repossessing the islands, which more than made up for problems in the United Nations Security Council. But it is the storms they see ahead which make many dealings with Britain's standing in the world fear they are now in the eye of the hurricane.

Britain's game plan is simply described—repossession of the islands, re-establishment of British administration, reconstruction, and then consultation with the islanders over their future.

Yet each stage is beset with problems. Repossession is proving a more bloody and drawn out operation than many countries had hoped. Even after the capture of Port Stanley, there still remains some 2,000 Argentine troops on West Falkland; at worst fighting could continue well into the Antarctic winter.

How much "blood and treasure" are expended at this stage will be crucial. A relatively "clean" operation will make it easier for Britain to keep the backing of its allies and discourage Argentina from carrying out its threats to harrass the island "for months and years if it is necessary," as Gen Leopoldo Galtieri, the President, put it last week.

A more bloody process could worsen Britain's standing, make it more difficult to win international backing for any security arrangements for the islands, make any British compromise harder and stiffen Argenttina's resolve. Yesterday, for instance, Gen Alfredo Saint Jean, the Argentine Minister of Interior, was insisting his or future generations will take the islands back. "I think each Argentine would, if necessary, arm himself and go, even if it meant going to his death," he told London Weekend Television.

Despite these uncertainties, Britain has won its allies' backing not merely for the repossession of the Falklands, but also, British diplomats insist, for the establishment of a purely British administration over them.

This administration is unlikely to involve a complete return of the islands to their former Crown colony status. Instead, to head off Third World criticism, some form of self-government is likely to be agreed, while keeping the administration as familiar as possible to the islanders.

The islands' legislative and executive councils could be maintained and expanded, one senior official says. Mr Rex Hunt, the former Governor, might well return despite Foreign Office reservations, at least initially, although short of some of his more overt colonial trappings. Present thinking is that the military could work in parallel with him or even nominally be subordinate.

Britain faces some problems with its allies at this stage of its plan, particularly over how temporary this administration should be. But it is in what follows that British diplomats see hard choices ahead. The British plan is to give the islands the air and sea links they need; to help them develop their fishery and off-shore oil reserves, and to ensure the islanders the security necessary to make genuine choices over their future. But all these processes involve outside countries with interests different from Britain's.

The communications links to be established will be influenced by the degree to which Britain can co-operate with Latin American countries. Some of the fishery, and most of the oil, resources lie in areas claimed by Argentina. Further, while Britain could leave the up to 5,000-strong garrison necessary to hold the island against attack, EEC countries have to decide whether to continue trade sanctions and the U.S. and Latin Americ ahave to be consulted over joining in any security arrangements.

At Versailles, Western leaders agreed that the problem of the Falklands must not be allowed to bedevil future relations between the West and Latin America. It is a point on which Britain agrees: Mrs Thatcher has stressed, in a broadcast to Latin American countries, the efforts made by her Government to improve relations with them. But support by Britain's allies is essential for the future. The Foreign Office has been only underlining a message which Mrs Thatcher has already heard from the Americans when it has begun to stress that options involving Argentina in the islands should not be ruled out for all time.

In the past Mrs Thatcher has speculated that the islands might be given independence. This possibility featured as one of the 17 options recently presented to her by the Foreign Office, with the proviso that it would almost certainly require U.S. security guarantees.

How much account London will take of the islanders' wishes is one problem still to be resolved. For the time being, no decision has been made between the various options on the table. Indeed, even consultation with the islanders is still some way down an international road on which Britain is likely to find an increasing number of drivers.

The problems on this road are incerasingly disturbing the Foreign Office. How will Britain reduce the chances of being left with a beseiged Fortress Falkland—"an Antarctic Israel," as one official put it before Israel's invasion of Lebanon?

Armed push against rebels reported in southern Zimbabwe

HARARE — Intense military activity was reported this weekend in the troubled southern Zimbabwe province of Matabeleland.

Local residents said dozens of air force transport planes designed for paratroop drops had been seen heading south in recent days into bush and mountains frequented by groups of armed dissidents.

Travellers arriving in Bulawayo, the provincial capital, reported seeing paratroop landings in the Matopos Mountains in midweek, followed by prolonged bursts of gunfire.

The government has not commented on the reports. But Prime Minister Robert Mugabe has repeatedly promised to crush dissidents who have been responsible for a recent spate of killings and robberies in southern and western districts.

At least 25 people have been killed in Matabeleland in the past two months. The Government has blamed ex-guerrillas *loyal to Matabeleland-based* opposition leader Joshua Nkomo, who was sacked from the ruling coalition in February *following allegations he was* plotting a coup. Mr Nkomo denies the accusation.

Diplomats say up to 2,000 ex-guerrillas of Mr Nkomo's Zipra forces have deserted from the 60,000-man national army since February.

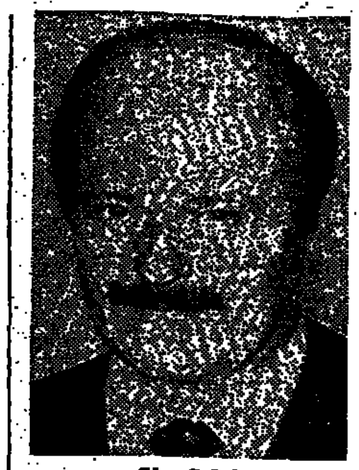
Other officials said groups of armed men in camouflage uniforms had been seen moving through rural areas, often in groups of 30 to 40.

Local people in Bulawayo yesterday said camouflaged air force Dakota transports were constantly flying south over the city. Their rear doors, used for paratroop drops, were wide open, they said.

One said he had counted 12 planes. Locals said activity appeared to be centred on the Kezi district, halfway between Bulawayo and the border with South Africa.

Diplomats reported a major push against bandits in the Tjolotjo area north west of Bulawayo three weeks ago, *involving troops of the national* army.

Reuter



Sig Calvi

Ambrosiano chairman disappears

By Rupert Cornwell in Rome

THE BOARD of Banco Ambrosiano, at the head of Italy's biggest privately-owned banking group, was meeting last night to examine its position following the mysterious disappearance of Sig Roberto Calvi, the bank's chairman.

Sig Calvi was last seen on Thursday evening at his Rome flat. Since then, his whereabouts have been unknown. It is thought that either he has been kidnapped or that he has disappeared deliberately.

He has been one of the most controversial figures on the Italian banking scene. On June 21, a Milan court is due to hear his appeal against his sentencing last July to a four-year jail term on currency offences. He has been at liberty but deprived of his passport.

His name also featured on the membership list of the disbanded P-2 Freemasons lodge. Sig Calvi provoked further controversy last year *when La Centrale, a financial* company controlled by Ambrosiano, bought a 40 per cent stake in Corriere della Sera, Italy's biggest daily newspaper.

Sig Calvi has kept very tight personal control of Ambrosiano's affairs. In his absence, authority is likely to pass to Sig Roberto Rosone, the bank's senior deputy chairman. The Milan Bourse authorities have indicated that, for the moment at least, they do not intend to suspend trading in Ambrosiano and *its associate companies.*

Victorious Mauritian Left reassures critics

BY BERNARD SIMON IN PORT LOUIS

MAURITIUS'S left-wing government-elect, swept to power by a massive victory in last Friday's elections, is going out of its way to reassure both supporters and critics that it will not abuse its overwhelming mandate.

Leaders of the new government, which will be sworn in by the island's governor-general later this week, promised, after election results were announced *on Saturday, that the constitution* will be amended to provide for compulsory elections every five years.

Mr Paul Berenger, the winning coalition's chief *strategist and Finance Minister-designate,* said that in foreign policy "we will not rush into anything."

The Movement Militant Mauricien (MMM) and its allies captured all 62 elected seats in Mauritius's 70-member legislature. Almost 90 per cent of the island's 540,000 voters went to the polls in an election conducted with scrupulous fairness.

Although the ruling Labour Party of Prime Minister Sir Seewoosagur Ramgoolam attracted 24.6 per cent of the votes, all its candidates — including the Prime Minister and his entire cabinet—were defeated because of the island's winner-takes-all constituency system.

Sir Seewoosagur, 82, attributed his defeat to high unemployment (currently almost 20 per *cent) and other economic problems* caused by a failure of the sugar crop in 1980 and last year and low world sugar prices.

Despite assistance from a U.S. public relations company the Ramgoolam Government was unable to match the MMM's youthful image and its superior organisation. The Labour Party has been in power since 1948, and most voters were keen for a change.

The MMM coalition was particularly successful in bridging Mauritius's ethnic division. More than half the population *are Hindus, with the remainder* split between Moslems, Creoles, Chinese and whites.

The alliance attracted surprisingly wide support from the normally conservative Hindu *community. Mr Aneerood* Jugnauth, nominal leader of the MMM and Prime Minister-designate, is a Hindu.

The coalition includes a Hindu-based party, the Parti Socialiste Mauricien (PSM), whose leader Mr Harish Boodhoo will be deputy premier.

The PSM's 18 MPs are likely to be a restraining influence and some observers already predict a split between the MMM and PSM before the next elections.

The MMM's foreign policy is based on strict non-alignment. Mr Jean Claude de l'Estrac, foreign minister-designate, said after the election that talks will be started "very quickly" with the U.S. and Britain in a bid to restore Mauritian sovereignty to Diego Garcia and to close the U.S. military base there.

Mr de l'Estrac said the new government will cultivate close ties with France and India. According to local reports yesterday, President Mitterrand and Mrs Indira Gandhi will soon be invited to visit Mauritius.

Mr de l'Estrac said the island will start examining ways of lowering its dependence on South African imports and tourists. But he added, "we will not be in too much of a hurry."

The main fear of many *Mauritians and outside observers* is that the country's intractable economic problems may prompt the new government to experiment with increasingly radical political and economic policies. *The MMM manifesto included* promises of higher wages, improved social welfare and selected nationalisation.

Polish restrictions to be lifted 'selectively'

BY CHRISTOPHER BOBINSKI IN POZNAN

POLAND'S Military Council of National Salvation (WRON), nominally the most senior decision-making body under martial law, has instructed the Minister of the Interior and local officials "to selectively ease" restrictions throughout the country.

The conciliatory move marks the passing *yesterday of six* months of martial law.

The talk of relaxation is designed to show that the authorities are regaining control over the population, a necessary gesture if General Wojciech Jaruzelski, the WRON chairman, is to be seen to be getting his way.

The move pre-empts any protests the Solidarity underground may be planning for the coming days.

These would now enable the authorities to argue that their gesture of goodwill was rejec*ted, and to blame any eventual* re-imposition of controls on the union.

POLICE intensified security in several sections of Warsaw on Sunday, and checked identity papers of travellers as Poland entered its seventh month under martial law, AP reports.

The authorities have apparently decided not to take any chances on Sunday, despite their announcement on Saturday of another series of relaxations of martial law curbs slapped down at the start of the clampdown on December 13.

In Victory Square, several hundred people clustered around the flower cross marking the site of Cardinal Stefan Wyszynski's funeral last year, as uniformed policemen stood quietly in the background.

The WRON statement does, *however, contain a reference to* "authentic accord," a possible sign that the authorities are gearing up for another attempt at finding agreement with the Church.

In any case, the reference to "authentic" accord in the WRON statement is a signal to officialdom that hardliners are still being held at arm's length *by Gen Jaruzelski—which is all* the more significant as the council contains some of the most conservative figures in the *political and military establish*ment.

Nevertheless, there is still a long way to go towards a return to normality, let alone a return to Solidarity.

It remains to be seen, for example, whether the relaxation will include the return of such institutions as the Warsaw Catholic Intelligentsia Club, *established in the 1950s and* suspended last December.

Another indication that the authorities are feeling their way very cautiously is an order to release a mere 257 internees.

According to church estimates, the number of people interned is in the region of 4,200.

The figure had dropped to about 2,200 at the end of April, but rose after the demon*strations on May 1 and 3 and* before the 15-minute national strike called for May 13.

● Official trade figures for the first five months of the year show that Poland had, up to the end of May, achieved a surplus in its hard currency trade of $537m.

Its hard currency imports to the end of May were down 40.6 per cent at $1.4bn, and exports had dropped by 9 per cent to $2bn.

The value of Poland's deliveries to Comecon was up 7.6 *per cent while East Bloc sales* to Poland were running at last year's level.

Mexico cancels $2bn nuclear plant contract

By Ronald Buchanan in Mexico City

MEXICO'S Comision Federal de Electricidad has cancelled the $2bn tender for the construction of the nation's second nuclear plant. The tender, which had attracted bids from seven companies representing five countries, is a victim of Mexico's financial crisis, which has led to unprecedented austerity measures.

The decision was expected following the floating of the peso last February.

The Comision's decision means that the goal of achieving 20,000 Mw of installed nuclear capacity by the end of *the century is no longer attain*able.

The whole programme will now have to be reconsidered by the next administration, which takes over for a six-year term at the end of the year.

For the companies involved the cancellation is a bitter blow.

Tension grips Honduras after wave of arrests

BY OUR MANAGUA CORRESPONDENT

MORE THAN 60 arrests have been made in Honduras over the past few weeks involving trade unions and student leaders opposed to the Government. The security forces are known to have a list of 4,000 people, both Hondurans and foreigners, who are not allowed to enter or leave the country for political reasons.

The list is widely believed to include the name of Bianca Jagger who last year witnessed, and subsequently denounced, the abduction of Salvadorian refugees by the Salvadorian Army from camps inside Honduras along its border with El Salvador.

The Supreme Court last week ruled that the internal elections for the key post of rector in the autonomous State University had been invalid — and that those participating in them may be subject to criminal proceedings.

The university has been the main focus of opposition to a series of military governments.

Sr Juan Almandarez the rector for the past three years, has the been subject of death threats in recent months. He is also the target of a virulent press compaign against Government opponents.

University authorities have accused the Government of spending $500,000 on the campaign against the university.

The new Chilean ambassador to Honduras declared on Friday that his country would increase military aid to the Honduran Government in the coming months. This has raised fears that the new clampdown is a beginning of an intensifying wave of political repression.

President Shagari to seek re-election in Nigeria

BY MICHAEL HOLMAN IN LAGOS

THE National Party of Nigeria (NPN) has nominated President Shehu Shagari as its presidential candidate in the elections due to be held towards the end of next year.

The president was the sole nominee at the special NPN convention at the National Arts Theatre, Lagos, which was attended by 3,000 delegates from Nigeria's 19 states and from the federal capital territory of Abuja.

The president's nomination came as no surprise. What will attract greater interest, however, is the contest for the vice-presidential nomination at the end of this year.

The current vice-president, Dr Alex Ekwueme, who is an Ibo from eastern Nigeria, is likely to face several challengers.

Campaigning for next year's national elections is already under way. But issues are taking second place to the complex negotiations within and between NPN's main rivals—the Unity Party of Nigeria (UPN), led by Chief Obafemi Awolowo, and Dr Nnamdi Azikiwe's Nigerian People's Party (NPP).

These two parties, together with two minor parties, have formed the Progressive People's *Alliance (PPA). If this alliance* is maintained it will present a formidable challenge. It is far from certain, however, that the PPA will agree on its leadership or programme.

The UPN holds five south-west states, the NPP three states, including two which are dominated by the Ibo people. President Shagari's NPN took seven states in the 1979 election.

The constitution stipulates that a successful presidential candidate must win at least 35 per cent of the votes in two thirds of the 19 states.

BA Baghdad flights resume

BRITISH AIRWAYS will resume services to Baghdad later this month for the first time since the outbreak of the Gulf War in September, 1980.

The first flight will leave on June 24. There will be a weekly TriStar 500 service leaving Heathrow every Thursday, flying direct to Baghdad and returning on Friday via Amman.

Reshuffle leads to Lisbon row

By Diana Smith in Lisbon

ANOTHER CONFLICT has erupted between Portugal's *President of the Republic and* the three-year-old ruling Centre Right coalition, following General Antonio Ramalho Eane's very public disapproval of the recent government reshuffle.

Last week, Sr Francisco Balsemao abruptly appointed new Ministers of Labour, Education, Foreign Affairs and Parliamentary Affairs. He informed the President only afterwards, whereas procedure requires consultation of the Head of State.

Swearing in the new Minis*ters on Saturday, Gen Eanes* bluntly said he considered the reshuffle "not fitting for the present, difficult circumstances," but would let it pass due to the urgent need to finish reviewing the Constitution.

Portuguese presidents are empowered to appoint or dismiss governments of their choosing. Sr Balsemao refuted the President's criticism on nationwide television, but his speech was considered somewhat ineffectual.

WAR IN THE MIDDLE EAST

Israel wonders how to get out of Lebanon

BY DAVID LENNON IN TEL AVIV

NOW THAT Israel has driven itself deep into Lebanon, everyone here is asking the question how to get out. The Begin Government wants to create a Christian - controlled Lebanon but, as Mr Abba Eban, a former Foreign Minister has said, "It's not within our power to make it happen."

Government officials are already saying that they expect there will continue to be an Israeli presence in Lebanon "for several months but not years." Given the complexity of Lebanon's problems, even before the Israeli incursion and occupation of nearly half the country, many are wondering if it will be possible leave so soon.

The problems of disengagement are immense. Jerusalem wants to ensure that the PLO will not be able to use Lebanon as a base to launch attacks on Israel. But even the vaunted Israeli armed forces have not been able to prevent that. So what chance does an international force have of being able to keep southern Lebanon guerrilla free?

Then there is the domestic problem of the architect of the war, General Ariel Sharon, the Defence Minister. It now emerges that he tried to keep the Cabinet in the dark about his plans in Lebanon beyond the originally approved objective to push the Palestinian guerrillas back 40km from the Israeli border.

After finally getting approval for the war in Lebanon, which he had been seeking for months, there is some question about the ability of the Cabinet to persuade him to back his forces, in exchange for less than the attainment of a new order.

It is clear to Israel that its troops will have to remain for some time in Lebanon. Some people worry that the longer the presence goes on, the harder it will be to withdraw. They fear that the old Arabic and Hebrew saiying: "With the food comes the appetite" maybe self-fulfilling.

Despite fervent and repeated government declarations that Israel does not want "even one inch of Lebonese territory, many recall that after Israel captured the West Bank, Gaza Strip, Golan Heights and Sinai in the 1967 war, the late Levi Eshkol, then the Prime Minister, said that Israel did not want to keep any of the captured territory, and was willing to hand it all back in return for peace.

It took 15 years until a partner could be found to do that, over Sinai. In the case of the Golan, Israel has already annexed it and, as for the West Bank and Gaza Strip, the Begin Government has made it clear that it never intends to give up any of these territories.

If Israel is not given the assurances it seeks on military and political settlement in Lebanon, then it remains difficult to see how it will be possible to persuade it to pull out.

A confirmation of plans for a long stay was an announcement yesterday that Israel is considering placing a radio station in southern Lebanon to boost the broadcasts of Israel Radio enabling its troops there to hear the home broadcasts.

The Government may expect some pressure from Washington to reach a compromise settlement.

Domestic opposition to the occupation of Lebanon is certain to grow, aided no doubt by a decision yesterday to impose new "war taxes." The country already has the highest taxation rate in the world.

The Israeli soldiers went to this war with less than total enthusiasm but performed their military tasks with ruthless efficiency. They are unlikely to enjoy a prolonged stay across the border, especially as it will be necessary to keep a large number of reservists mobilised as long as the occupation lasts.

The disruption which prolonged reserve duty in the army causes to the working and domestic life of the mobilised soldiers will not be suffered gladly by many Israelis who doubted the need for this war in the first place. Their pressure for a speedy settlement and an early withdrawal could prove to be a crucial factor in the international efforts to get Israel out of Lebanon.

ISRAEL IS to impose new taxes to pay for the war in Lebanon, it was announced yesterday. It is estimated that the war has cost some £330m to £385m so far. As Israel is planning a fairly long stay in Lebanon, the cost can be expected to rise considerably, David Lennon writes.

Mr Yoram Aridor, the Finance Minister, said yesterday it was necessary to impose new taxes "to pay for the war." He said the war taxes, which would be temporary, were expected to raise Shl 15bn (£375m).

A levy of 25 per cent in the existing value added tax is to be imposed bringing the effective rate up from 12 per cent to 15 per cent.

A Shl600 (£15) tax will be imposed on every Israeli travelling abroad and a 2 per cent tax on all sales of securities on the Tel Aviv stock exchange will be collected by banks and brokers. The travel tax will be in force only from June 15 to September 30, the minister said. The other war taxes will be levied at least until the end of the current fiscal year.

Haig encouraged by Soviet caution

By Anatole Kaletsky in Washington

MR ALEXANDER HAIG, the U.S. Secretary of State, described the Soviet attitude to Israel's invasion of Lebanon as "encouragingly cautious" yesterday.

In two sets of exchanges with President Reagan—the second occurred over the weekend after the negotiation of a ceasefire between Israel and Syria — President Leonid Brezhnev expressed "concern, but cautious concern" about the fighting in Lebanon.

Privately, U.S. officials had feared that Soviet assistance to Syria and the PLO might have been intensified after the Israeli invasion. They now believe that an agreement between Presidents Brezhnev and Reagan to prevent the conflict from widening was vital for an early ceasefire.

Mr Haig said yesterday that U.S. policy on the Middle East war was dictated by UN resolution 507, which called for an immediate ceasefire and Israeli withdrawal from Lebanon.

For the moment, he said, the key aspect of resolution 507 was to bring an end to hostilities. Responding to questions from television reporters, he refused to call for an immediate Israeli withdrawal but said that ultimately there must be a withdrawal of all foreign forces from Lebanon.

He would not discount a referendum in Lebanon "or any other step that would strengthen the authority of central government."

Mr Haig said that "nothing could be further from the truth" than the idea that the U.S. colluded in any way with the Israeli invasion.

Some State Department officials are now suggesting that the removal of Palestinians from Lebanon may bring a final solution to the Palestinian problem nearer. Mr Haig said that he hoped "these tragic circumstances would offer new opportunities for reviving the Camp David process."

However, Senator Charles Percy, chairman of the Senate foreign relations committee, said in a separate interview that the Palestinians may now have to be moved into the Israeli-occupied West Bank and Gaza Strip.

Syrian soldiers put brave face on defeat

BY PATRICK COCKBURN IN DAMASCUS

"IF THE Israeli aircraft had not attacked us we could have destroyed their tanks," said a wounded Syrian soldier in hospital in Damascus yesterday, slipping back the sheet of his bed to show his right leg cased in plaster. Three days after he had arrived in Lebanon and taken up position with his platoon on the edge of the southern extremity of the Bekaa Valley, they had come under Israeli attack.

He said there had been no Sam missiles to fend off the aircraft. When he and the rest of platoon were deployed to meet a tank attack the Israeli aircraft bombed them. He carried a friend 2km on his back before he died and then walked on himself to find help. He said he did not know what had happened to the rest of his unit. The soldier looked quite cheerful lying in bed beside which were two bouquets of flowers sent by his relatives in the Syrian coastal town of Tartous.

Masked by the verbosity of official propaganda, whose authors seem to care little if their words carry any credibility, the Syrians suffered real wounds in last week's war. In the same hospital as the wounded soldier, a young 18-year-old carpenter called Naif al-Halall al-Hussein had both his legs amputated after his building site was hit by bombs.

In the Christian quarter at a Greek Catholic church, the 31-year-old captain, who had commanded a Sam anti-aircraft missile battery in the Bekaa, was being buried. Coming out of the crowded church, the officer's fiancee collapsed on the steps and had to be carried into a waiting car.

Officially, the Syrians portrayed last week's fighting as a victory for themselves. The ceasefire was at first greeted with some jubilation. Ordinary Syrians have a very good idea about what war involved and their chances of winning it. There is a strong strain of pessimism and, at times, cynicism in the Syrian character.

But the news that the ceasefire between the Palestinians and the Israelis had again broken down sent Syrians once again back to their radios yesterday. Tension is beginning to mount again. The extent of the civilian casualties in Lebanon is also making an impact. Some of these have been hospitalised in Damascus, mostly peasants and villagers from the Bekaa Valley hit by Israeli bombing.

But, for the moment, it looks likely that the Syrians will uphold the ceasefire. The Government needs to avoid an all-out war with the Israelis in which they are likely to be overwhelmed. The apparent failure of the anti-aircraft system in the Bekaa Valley has come as a blow.

Soviet diplomatic assistance has also been limited, though President Hafez al-Assad received another letter from the Soviet President Leonid Brezhnev on Saturday. Lack of fresh supplies of Soviet equipment, however, cited by some diplomats as a reason for Syrian discomfiture, is not likely to have made much difference since Syria has large supplies of weapons.

Over the weekend, these were being deployed to reinforce the defensive lines protecting the mountain path which links the Bekaa Valley to Damascus. Mobile Sam anti-aircraft batteries, the white rockets smeared with mud for camouflage, could be seen on the hilltops. A long line of 155 mm artillery pieces were moving into Lebanon.

So long as there is a ceasefire or the chance of one between Israel and the Palestine Liberation Organisation, the Syrians will probably try to keep out of the fighting. The decision to declare a ceasefire was a unilateral one by President Assad, say diplomats. But an attack on Beirut, or loss of the road linking the Lebanese capital to Damascus, would lead to a renewal of the fighting.

Financial cost of war and occupation yet incalcuable

BY ANTHONY McDERMOTT AND NORA BOUSTANY IN BEIRUT

"THE RAPE of Lebanon" is the headline of the black cover of today's Beirut weekly, "Monday Morning." The description is stark and accurate. Lebanon has suffered badly, and, it appears, will continue to, from, becoming the battleground the Israelis have chosen to take on the Palestinians and Syrians.

The major sections of the Palestinian population, put at about 600,000 in all Lebanon, are now subject to Israeli occupation in the Beirut area, the Bekaa Valley and Tripoli in the North.

It is almost impossible at this stage to calculate in money terms just how much damage the week-long Israeli invasion has cost. The International Committee of the Red Cross is asking for $19m as emergency assistance and that must be only a fraction of what is required. The Red Cross reckons that 600,000 people or about 20 per cent of the Lebanese population has been displaced by the fighting and there are real fears that with so many families on the run—squatting in buildings in Beirut or breaking into flats for shelter—real health hazards could develop.

A Beirut rescue worker carries the body of a baby away from the rubble and wreckage of a building devastated during the recent artillery and air bombardment of the city. The building housed the offices of the New York Times

The Palestine Liberation Organisation has put the number of casualties since Israel began its invasion a week ago at between 8,000 and 10,000 killed and wounded—mainly civilians.

According to a United Nations official, Tyre, which had a population of about 100,000, has been almost completely demolished. Sidon, further north and of roughly the same size, has suffered only slightly less damage. Civilians are camping on the beach, and, according to the Red Cross in Sidon, there have been 1,000 killed and 30,000 wounded there. Close to Beirut some 350 people have had to be transported to hospitals in neighbouring regions as the capital's medical facilities come under intense pressure.

Relief has been hampered partly by the fact that fighting has continued despite ceasefires, and partly because Israel has apparently been reluctant to cooperate with international organisations. At Larnaca Airport in Cyprus, three jumbo jets are standing by with medical supplies but are unable to land at Beirut.

WORLD TRADE NEWS

EEC LIKELY TO CHALLENGE STEEL DUTIES

U.S. faces up to 'real threat' of trade war with Europe

BY ANATOLE KALETSKY IN WASHINGTON

A TRADE war between Europe and the U.S. is a real possibility for the first time in many years. On Friday the U.S. Commerce Department announced a preliminary decision to impose counterveiling duties on 21 European, Brazilian and South African steel exporters who are alleged to be benefiting from unfair government subsidies in violation of the General Agreement on Tariffs and Trade.

The Commerce Department official who organised the steel investigation, Mr Gary Horlick, was the first to admit on Friday that his decision was "so important to the Europeans that they will have to challenge it."

"It goes to the heart of the European steel industries' efforts to restructure themselves under government guidance," Mr Horlick's boss, Under Secretary for Trade, Mr Lionel Olmer, added.

Of that there can be no doubt. Assuming the preliminary findings are upheld (two more formal reports will be issued in August and October) the subsidies estimated by the Commerce Department will be matched by equal countervailing duties. Until October exporters will have to post bonds equal to the estimated duties with the U.S. Government.

As the accompanying table shows, for many of the biggest steelmakers in Britain, France, Italy and Belgium — which between them sold about 3.3m tonnes of steel to the U.S. last year—duties ranging from 18 to 40 per cent would make exporting to the U.S. prohibitively expensive. This will not necessarily help the U.S. steel industry however. German and Dutch steelmakers, who enjoy minimal subsidies, could well step into the breach left by other European companies.

But the significance of last week's announcement goes well beyond the steel industry. As Mr Olmer pointed out, the principles raised in the steel investigation have been completely novel and could well be applied to other products which benefit from government subsidies. Other officials quite openly express the hope that their decision may set a precedent for other countries wishing to take action against subsidised imports.

Murmurings about retaliation from Europe do not seem to alarm the Americans. On the contrary, Mr Horlick says the Europeans would be "fully within their rights to impose countervailing duties" on any U.S. exports which they found to be subsidised in breach of the Gatt subsidies code.

EEC retaliation is most likely to be on the effective subsidies which the U.S. Government grants to exporters who set up domestic international sales corporations (Discs). Since 1971 U.S. companies have been able to establish Discs, which enjoy exceptionally advantageous treatment under U.S. tax laws, to handle their exports.

According to EEC estimates, Discs handle a total of $75bn (£41.8bn) of U.S. trade annually, at a cost to U.S. taxpayers of about $1bn. According to EEC officials the Gatt council ruled last year that Discs are illegal, but U.S. trading partners have not taken any action under this ruling so far.

However, officials in Washington believe the EEC would prefer to challenge the legality of the U.S. determination of steel subsidies under Gatt rather than threaten retaliation. The European view is that the Gatt subsidies code permits government assistance to industries undergoing restructuring. At the very least, European officials maintain, these kind of subsidies are a moot point under Gatt.

A unilateral interpretation of Gatt rules on such subsidies by any one country is unacceptable to the EEC, Viscount d'Avignon, EEC Industry Commissioner, said in Brussels.

Other trade officials declare privately that the U.S. Government positively wishes to see this happen. Countervailing action against subsidised imports is not protectionist, they maintain, it is designed to make the world trading system more open and free.

In the view of European trade officials, this kind of posturing is an attempt to lay a trap for Europe. The legality of the U.S. action against steel exporters under Gatt is by no means as clearcut as the Americans are claiming. If the EEC joined in the U.S. game by imposing countervailing duties on subsidised U.S. exports to Europe, it would be effectively endorsing the American interpretation of the Gatt code on subsidies.

If Europe does retaliate, it has three possible options: agriculture, synthetic fibres and U.S. tax exemptions for exporters.

The easiest U.S. subsidy practice to attack would be the tax advantages provided since 1971 for Discs. Despite the Gatt council ruling against Discs, the U.S. argues that they merely duplicate the tax advantages which European companies enjoy by receiving VAT refunds on exports.

Rather than enter these debates, the EEC is more likely to respond initially by challenging the legality of the U.S. countervailing actions. The Gatt subsidies code is quite explicit in its ban on export subsidies and member states are fully entitled to countervail against them.

However, the code is much hazier on general industrial subsidies, which apply equally to domestic production and exports.

The U.S. has highlighted three particular kinds of subsidies to European steelmakers —loans at preferential rates, government equity participations on terms which are not consistent with commercial considerations and straightforward cash grants. All these, U.S. officials say, are covered by the Gatt subsidies code.

Europeans deny this on several grounds. Least controversially there will be room for argument about the Commerce Department's calculations of the subsidy elements in government loan guarantees and equity participations.

Secondly the Europeans argue that the U.S. must consider the purpose of the steel subsidies and conditions attached to them. In all cases subsidies are supervised closely by the European Commission. They are only allowed as termination payments connected with restructuring programmes to reduce over-capacity in the European steel industry and they are due to be eliminated by 1985.

Thirdly—and this is perhaps the issue that most distresses the Europeans—the U.S. cannot be allowed to interpret Gatt provisions unilaterally.

WEST GERMANY has expressed regret at the U.S. action against steel imports from European countries but is far from shocked by Washington's action, writes Jonathan Carr in Bonn.

The reason is that although the Germans are the European Community's biggest steel producers, their companies receive relatively few subsidies from the state and will thus have to pay a much lower level of countervailing duties than their European counterparts.

In a statement this weekend the Economics Minister, Count Otto Lambsdorff, stressed that Bonn's aim had long been to speed up removal of steel subsidies in Europe.

SUMMARY OF ESTIMATED SUBSIDIES AT JUNE 10

Country	Producer	Products	Estimated subsidy (% of fob value)
Belgium	Cockerill-Sambre	Struturals, Plate, HRS/S***	20.602-21.773
	Siderurgie Maritime (Sidmar)	Plate, HRS/S	4.866
	Forges de Clabecq	Plate	5.834
	Fabrique de Fer de Charleroi	Plate	1.990
Brazil	All	Plate	8.58
W. Germany	AG der Dillinger Huttenwerke	Plate, HRS/S, CRS/S	0.551
	Stahlwerke Peine Salzgitter AG	Structurals, Plate, HRS/S, CRS/S	3.594
	Klockner-Werke AG	Plate, HRS/S, CRS/S	0.769
	Stahlworke Rochling-Burbach GmbH	Structurals, Plate, HRS/S, CRS/S	8.623
	Fried, Krupp Huttenwerke AG	Structurals, Plate, HRS/S, CRS/S	0.640
	Otto Wolf	CRS/S	0.751
	Hoesch	Structurals, Plate, HRS/S, CRS/S	Excluded (0.349 de minimis)
	Thyssen	Structurals, Plate, HRS/S, CRS/S	Excluded (0.178 de minimis)
France	Sacilor	Structurals, HRS/S, CRS/S	30.029
	Usinor	Structurals, HRS/S, CRS/S	20.097
Italy	Italsider	HRS/S, CRS/S	18.30
Luxembourg	All	Structurals	1.766
Netherlands	Estel Hoogovens BV	Cold-rolled sheet, HRS/S	0.651
South Africa	Iron and Steel Corp.	Structural, Plate, Hot-rolled carbon steel bars, Hot-rolled alloy steel bars, Cold-formed carbon steel bars, Hot-rolled sheet, Cold-rolled sheet, galvanised sheet	12.5 to 16.3
	Highveld Steel and Vanadium Corp.	Structural, Plate	9.6 to 9.9
United Kingdom	British Steel Corp.	Structural, Plate, Hot-rolled carbon steel bar	40.362
	Flather Bright Steel*	Cold-formed carbon steel bar	2.445
	London Works Steel Co.*	Hot-rolled carbon steel bar	4.779
	Round Oak Steel*	Hot-rolled carbon steel bar, Cold-formed carbon steel bar	0.0**
	Bar Bright Usam	Cold-formed carbon steel bar	Excluded
	Bedford Steels	Hot-roled carbon steel bar, Cold-formed carbon steel bar	Excluded
	Brasway Bright Bar	Cold-formed carbon steel bar	Excluded
	Bright Steels	Cold-formed carbon steel bar	Excluded
	Darlington & Simpson Roling Mills	Structurals	Excluded
	The Dudley Port Rolling Mills, Ltd.	Structurals, Hot-rolled carbon steel bar	Excluded
	Eaton & Booth	Structurals, Hot-rolled carbon steel bar	Excluded
	Glywed Steels	Hot-rolled carbon steel bar	Excluded
	Kiveton Park Steel and Wireworks	Cold-formed carbon steel bar	Excluded
	Lee of Sheffield	Cold-formed carbon steel bar	Excluded

Cash deposit on bond equal to the estimated subsidy will be required as follows.

(1) Importers of a listed product from a listed firm must meet the indicated cash deposit or bonding rate.

(2) Importers of a product included in the determinations (i.e., product x from country y) produced by a firm that was not included in the investigation must meet the highest cash deposit or bonding rate for that product from that country.

(3) Where a company listed below has not exported a particular product during the period of investigation the cash deposit or bonding rate for other products included in the determination will be the highest rate for products that were exported by that company.

* Flather Bright, London Works, and Round Oak are related to BSC. Therefore, if they export any product included in the determination ("certain steel products from the UK") other than those indicated here, they must meet the BSC cash deposit or bonding rate for that product.

** Round Oak Steel is owned 99.5 per cent by BSC and therefore, to prevent possible circumvention, was not excluded from the determination despite being found to have received no subsidies.

*** Hot-rolled sheet and strip.

**** Cold-rolled steel and strip.

Officials bitter over spotlight on aid to British Steel

BY IAN RODGER

THE singling out of British Steel Corporation by the U.S. Commerce Department as the most heavily-subsidised steel producer in the European Community comes as no surprise.

Mr Ian MacGregor, British Steel chairman, stated when he took on the job two years ago that the corporation was technically bankrupt. Since then, the Government has agreed to pump in £880m in aid and write off £3.5bn in capital and loans.

British Steel officials, nevertheless, are bitter that they have been made to look the worst offenders in last year's massive attack by world steelmakers on the U.S. market.

This attack spurred ailing U.S. steel companies to file a raft of complaints against foreign producers on grounds of unfair subsidy and/or dumping. British Steel is alleged to be receiving aid worth 40.362 per cent of its U.S. selling prices.

The crux of the U.S. case is that foreign steelmakers, aided by their governments, have been raising exports to the U.S. in order to maintain employment, a process that jeopardises U.S. steelworkers' jobs. In effect, the elleged offenders have been exporting unemployment.

British Steel along with the French companies, Sacilor and Usinor, which are alleged to be the next most heavily subsidised at 30 per cent and 20 per cent respectively, dismiss this argument categorically.

They claim that their admittedly large subsidies have been directed at cutting capacity substantially and modernising the remaining plants, both of which processes have involved massive reductions in employment.

British Steel, for example, has eliminated 120,000 jobs since 1975; the French steel industry, 57,000. Over the same period, British Steel's manned capacity has been slashed from 27m tonnes to 14.4m tonnes per year, and French capacity from 33.5m tonnes to 28m tonnes.

British Steel and the French also point out that they contributed only about a quarter of the 51 per cent rise in EEC exports to the U.S. last year.

The main contributors to the nearly 2m tonne rise in EEC exports last year were German and Italian producers. Germany's exports rose 55 per cent to 2m tonnes and Italy's almost fourfold to 670,000 tonnes.

But German producers, according to the U.S. Department of Commerce, receive negligible subsidies or none at all, and Italian producers allegedly receive aid worth 18 per cent of their U.S. selling prices.

Mr MacGregor said on Friday that British Steel would continue to honour its commitments to its U.S. customers. The U.S. Government requires those accused of unfair subsidies to pay penalties equal to the alleged amount of subsidy. Thus would be a heavy burden on British Steel, but, until a final determination is reached later in the year or the dispute resolved by negotiation, it has only to post bonds to cover the amounts involved.

Perhaps more important is that the relatively light burden on the Italians and the Germans means that much of the EEC tonnage that has been moving to the U.S. will continue to do so and not return to disrupt European markets.

In any event, Mr MacGregor said major European producers met last week and agreed to discipline their operations to maintain EEC prices.

"Rumours about prices weakening are not correct," he said. The renewal by EEC industry ministers of measures to restrict steel production in the Community for another year showed that governments also had the resolve to hold together, he added.

Mr MacGregor was worried that the U.S. attack on subsidies "could escalate into all sorts of nonsense."

EEC negotiators had been trying to set up an orderly marketing arrangement with the U.S. but he regretted that they had been aiming for a large quota at a time when U.S. steel companies were operating at less than 50 per cent of capacity.

Meanwhile, British Steel has more than enough problems on its hands. The recent drop in demand and influx of imports has forced the corporation to undertake a review of its plant configuration.

Final decision on youth training expected soon

BY ALAN PIKE

A DECISION by Mr Norman Tebbit, the Employment Secretary, on the final shape of the proposed new Youth Training Scheme is likely this week or next.

The most difficult conclusion Mr Tebbit has to reach is over the question of whether 16-year-olds who refuse to take part should be denied supplementary benefit. Mr Tebbit originally decided that they should and has strongly and publicly supported the view that benefit should be withdrawn.

The Manpower Services Commission (MSC) has, however, unanimously told the Government that it believes benefit should still be available. A decision to withdraw benefit would be seen by trade union leaders as making the training scheme compulsory, and would be likely to provoke the withdrawal of TUC co-operation from the entire venture. Also, employers have shown no enthusiasm for having reluctant, and possibly disruptive, young people forced into the scheme for purely financial reasons.

Youth organisations have urged the Government to drop its proposals to withdraw the right to benefit from those who refuse to take part. The Commons Employment Committee has warned that the issue should not be allowed to prejudice the introduction of the scheme.

There is a danger that the supplementary benefit question might be diverting attention from other fundamental areas, such as the issue of whether industry would be able to provide enough work experience and training places of sufficient quality to launch the ambitious scheme little more than a year hence.

If Mr Tebbit shows himself prepared to compromise on the benefits question, it could be by proposing either a temporary, rather than permanent, withdrawal of benefit; or by delaying the whole issue for further consideration.

There are other issues which require investigation. Young people in the training scheme would all receive weekly allowances—this is strengthening the argument in favour of educational maintenance allowances for 16- to 18-year olds still at school. Educationalists fear that, otherwise, young people who would benefit from remaining in full-time education would opt for the training scheme to obtain the allowances.

The MSC is proposing that allowances on the training scheme should be at least £25 per week—compared to an original Government suggestion of about £15—and that the scheme should be available to all school-leavers, rather than just to the young unemployed.

'Threat' to textile talks discounted

By Anthony Moreton

REPORTS that Hong Kong was on the point of pulling out of the bilateral talks arising out of the Multi-Fibre Arrangement, on the level of trade in textiles and clothes between the colony and the European Community, were discounted in London at the weekend.

It was claimed that this threat was simply part of the war of nerves between the two sides.

The European Commission has been given a mandate by the Council of Ministers to seek a cut of 10 per cent in the level of imports in five sensitive product areas.

Mr Ian MacArthur, director of the British Textile Confederation, said: "We are in regular contact with Brussels and we know that the Commission's negotiators are determined to achieve satisfactory agreements strictly within the terms of the mandate agreed by the Council of Ministers."

It was always thought that the talks with Hong Kong would, in the words of one Whitehall official, be "difficult."

INSURANCE

Life assurance makes modest start to year

BY ERIC SHORT

THE UK LIFE assurance industry made a modest start to 1982.

Figures from the Life Offices Association show that new annual premiums in the first quarter of this year on individual life and personal pensions increased by just 5 per cent on the corresponding quarter for last year to £226m.

Single premiums did a little better, advancing 14 per cent to £328m.

This compares with growth rates in 1981 of 19 per cent for annual premium business and 87 per cent on single premium contracts.

The industry is satisfied with these figures. It feels they are holding last year's growth. It had expected the economic recession to hit life business in 1981 and was pleasantly surprised when results turned out to be so favourable. This year, the recession is expected to bite deeper into new business growth.

A more detailed analysis of the first quarter figures shows a variant growth pattern between the different sectors.

The personal pension market has continued buoyant. Individual life business has been dull.

Linked business is still moving ahead, albeit at a much slower pace. Traditional ordinary life business is standing still.

The success story for many life companies is the steady growth in sales of personal pension contracts—sold mainly to the self-employed but also available to employees with a company pension scheme. New annual premiums rose 23 per cent in the quarter while single premiums improved 24 per cent.

The present Government has encouraged the self-employed to provide more towards their pensions by giving them substantial additional tax concessions on contributions. As a result, this pensions business has boomed in the last year. In addition, the first quarter of a calendar year is always good for such business, being the run in to the end of the financial year.

Linked pensions showed stronger growth, annual premiums rising 24 per cent to £15.8m, single premiums jumping 70 per cent to £15.1m.

Traditional life companies also did well, with annual premiums up 21 per cent to £22.2m and single premiums by 14 per cent to £46.9m.

These sales figures indicate many self-employed are not affected severely by the recession.

A completely opposite picture is revealed with life business. Sales of conventional ordinary business were subdued in the first quarter when new annual premiums actually declined by 2 per cent to £86.8m.

The recession, which hit manual employees first, now appears to be having a real effect on managerial and clerical staff. In addition, the housing market has remained subdued and competition with unit-linked business is growing.

The traditional life companies must be hoping for a repeat of last year, when, after a similar first quarter drop, business improved strongly to show a 20 per cent overall growth for 1981.

Traditional single premium business was a bit better, rising 10 per cent in the first quarter to £126.7m.

Industrial life business, involving the collection of premiums by agents from the homes of policyholders, has always traditionally served the blue collar market.

Business in 1981 was, thus, restricted by the recession with nil growth over the year. A modest start has been made to 1982 with a 3 per cent rise in annual premiums to £55.1m.

Linked life business continued to move ahead with new annual premiums improving 10 per cent to £46.1m and single premiums rising 14 per cent to £173.6m. Linked life sales now account for 27.4 per cent of total new annual premiums—a proportion likely to rise further as more traditional life companies enter this field.

Only one insurance company — Phoenix Assurance — has published its own first quarter life and pensions business. It recorded good figures with a one-third rise in annual premium business and slightly lower growth in single premiums; these figures include all life and pensions business transacted by the company.

Some company chairmen, at their annual general meetings, have indicated steady growth in the first three or four months of this year.

Others have remained silent on the subject—an indication that the year so far has been disappointing.

For most traditional life companies these figures are only half the picture since they do not include company life and pensions business. Many traditional companies get more than half their premium income from the company pensions sector, which has been badly hit by the recession.

The association only publishes company pensions statistics in its annual review which appears in the late summer. The forthcoming 1981 review should show the extent to which company pensions business has been hit by the recession. It is not expected that this year will show much improvement in the company pensions field.

Motorcycle sales down 30% in May

By John Griffiths

SALES of powered two-wheelers were down by 30 per cent last month, compared with May, 1981, according to the Motor Cycle Association.

Moped sales fell by only 8 per cent, but scooter registrations dropped by 39 per cent, and motorcycle sales 38 per cent.

The figures have been adjusted to take account of the distortion in sales caused in spring last year by the imposition of car tax on powered two-wheelers. Anticipation of the tax change pulled a great number of sales forward to April, leaving the May total at 6,166. Before adjustment, the 19,089 registrations last month were more than three times the total of May, 1981.

The association said the recession, and legislative changes to restrict the capacity of machines learners can ride, has hit the industry's hopes of exceeding the 275,000 sales of 1981.

"We have to face the fact that a large proportion of our customers is in the age group of up to 25, and large numbers are unemployed," it said.

One minor consolation is that, so far this year, moped sales are slightly ahead of those last year.

Guidebook details EEC and UK aids to industry

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Government spent more than £1.5bn last year to provide help to industry in various forms — regional development grants, small-firm development schemes, research and development assistance, energy-saving schemes, soft loans, and inner-city aid.

Despite it all, there was still a large number of concerns unaware of what was available or even, in some cases, that anything at all was available.

Such ignorance was partly the Government's fault. There were so many different schemes that it was almost impossible for the applicant to keep check on them, and virtually impossible for the Government to advertise them all in any depth because of cost.

Now there is a book to show how extensive the assistance schemes are. Industrial Aids in the UK 1982: A Businessman's Guide, by Gesa Walker and Kevin Allen, both of the University of Strathclyde's Centre for the Study of Public Policy, runs to 455 pages.

Mr Allen, the centre's co-director, has tried his hand at this sort of guide before. Last year, the co-authors not only published the first volume of this guide to British aids but he, with a different colleague, also produced a weighty survey of regional incentives in the EEC countries with Portugal and Sweden.

The 1982 edition of Industrial Aids includes a 72-page section on 134 forms of assistance available from the European Community.

The information categorised has been set out in a standard format to cover such things as the incentive, the awarding body, application deadlines, eligible expenditure and application procedure.

Industrial Aids in the UK, 1982; from the Centre for the Study of Public Policy, University of Strathclyde, Glasgow; £11.95 hardback, £8.95 paperback.

SHIPPING REPORT

Tanker inquiries down as conflicts hit market

BY HAZEL DUFFY

THE MILITARY conflicts last week in the Near and Middle East resulted in a low level of inquiries on the tanker market.

Reports from brokers indicate that activity in vessels loading out of Kharg Island, which has been relatively active in recent weeks, dropped back considerably last week. Those figures which have been concluded, however, show some slight improvement in rates, reflecting the additional war risk premium for proceeding to Kharg Island.

Galbraith Wrightson reports a fixture by Exxon as setting the pace in tanker rates last week. Exxon has placed a 450,000 tons VLCC with a cargo of approximately 430,000 tons loading about June 25, Arabian Gulf/West, at Worldscale 13½ if the unit proceeds at 10 knots or Worldscale 16 for a 12 knot performance. The deal is coupled with up to 120 days' storage at a rate of $8,500 per day.

Elsewhere, tanker activity out of Indonesia and the UK/Continent, is reported as being a little brisker. E. A. Gibson reports a fixture of a 102,000 tonner to the U.S. Gulf at Worldscale 40, compared to Worldscale 39 for a 69,000 tonner for the same voyage, reflecting a shortage of units in excess of 100,000 tons.

In the bulk carrier market, Galbraith Wrightson forecasts a continued oversupply of ships for ore/coking coal trades for at least another year and a half, following a fall in Japanese steel exports by 15 per cent in April over March. Japanese steel production is forecast as likely to be cut in July/September with further falls in exports.

The brokers predict that there is room for charterers to drive freights several points lower before more owners withdraw ships and the bottom of the recession is reached.

The Transatlantic grain rate, being quoted at $8 per ton, and the possibility of further falls, is also predicted to lead inevitably to lay-ups for dry cargo owners. The rate is only $1 above the February rate, which was the lowest level for several years.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

(U.S.$m)

	Mar. '82	Feb. '82	Jan. '82	Mar. '81
UK	11,967	12,291	12,585	18,506
W. Germany	37,088	36,936	37,461	45,979
Belgium	2,862	2,967	3,264	4,815
Italy	13,314	16,509	17,790	16,384
USA	9,121	9,276	9,534	11,895
Japan	23,633	24,480	24,579	23,341
Netherlands	8,055	7,448	7,654	9,656
	Feb. '82	Jan. '82	Dec. '81	Feb. '81
France	18,502	18,295	19,976	27,424

Source: IMF

Components supplier to Talbot cuts dependence

By Arthur Smith, Midlands Correspondent

HILLS PRECISION, the motor components subsidiary of Talbot, has announced details of a £750,000 investment programme to help reduce dependence upon the parent company. The company is seeking expansion by introducing new products and breaking into markets outside the automotive industry.

Hills Precision, acquired by Rootes Motors in the 1950s, became almost totally dependent on its parent's car and truck assembly operations as ownership passed first to Chrysler and then Talbot, the UK subsidiary of Peugeot of France.

The progressive decline of car assembly from around 5,000 vehicles a week to the present 1,000 inevitably posed problems for Hill's two factories at Birmingham and Coventry. The biggest impact came last year, 1981 with the closure of the Linwood assembly plant, Scotland, producing around 1,500 cars a week.

"That really concentrated minds. We had to go out and fight for more work," according to Mr David Brookman, who heads up Hills Precision.

The decision was taken to spend £750,000 on new equipment and technology.

There is serious over-capacity and cut-price competition in the products supplied by the company to a depressed car market. Hills makes plastic, zinc and die-casting components, such as fascia panels, window winders and door handles.

Investment in new technology gave an advantage in price and quality necessary to sustain profitable business, Mr Brookman said. "We price to make a profit. We have saved jobs but the objective is not to create busy fools."

In spite of the Linwood closure Hills has held together a workforce of around 500, albeit at the cost of some temporary short time working.

He says that of the £12m a year turnover the proportion going to sources other than Talbot has trebled in the past year to £2.5m. "We will double that figure again in the next 12 months. That much is clear from the way orders are coming in already."

Hills Precision has been established as an autonomous division of Talbot with its own management structure.

Maurice Samuelson reports on how Crown will be staying in business

Reed is sticking to wallpaper

THE WALLPAPER industry has contracted so sharply because of changed tastes in interior decoration that Reed International (owner of Crown, the market leader), recently gave serious consideration to whether or not to leave the industry.

Reed's main board decided to stick to wallpaper in the light of a private report by McKinsey, the international consultancy, which analysed the declining global prospects for the industry over the next 10 years and suggested how Crown could become profitable again.

The road to recovery, on which Crown embarked while the report was being compiled, involved the elimination of Crown's large over-capacity. It took in other measures and market assessments which the company is keeping to itself.

How close Reed came to quitting the industry was disclosed this week by Mr Fred Lewis, Crown's chief executive for the past two years and the man who brought in McKinsey's experts.

He describes Reed's decision to retain Crown as a "watershed" in his company's fortunes. As a result, it was no longer on probation and was investing in new equipment and warehouse facilities.

Had the decision gone the other way, it would have been a poignant stab for the entire industry. Crown's head office—and its mill at Darwen, near Blackburn — occupy the site where, in 1840, Charles Potter and his brothers began the first commercial production of wallpaper by running paper through rotary printing machines designed for textiles.

The closure of Crown would have made the industry's birthplace the death-bed of its leading present-day representative.

The only other Crown mill—once the one at Bredbury, near Stockport is closed down—is that at Oldham. Thirty years ago, there were 11 Crown mills with 4,000 employees. Now the workforce is down to 1,200. Capacity is also at an all-time low—25m rolls of paper a year, compared to 65m six years ago.

Streamlining has left the company with only one warehouse, instead of one per mill. The company will produce fewer than 700 new pattern variations a year, instead of 2,000.

In 1980, when Mr Lewis took over, he was given two years to report on whether the Reed Decorative Products group should stay in wall-coverings. He was also asked to cut Crown's capacity and to rejuvenate management. The last two directives had been largely implemented by the time the McKinsey report was put to the Reed main board in March.

With a slimmer Crown committed to stay aggressively in business, Mr Lewis says no more closures are contemplated, while the company intends to hold not less than 25 per cent of the £140m-a-year UK market. Its share is 33 per cent, if one adds Crown's output of 10m rolls of Anaglypta and other "white" papers.

As to the 13 other UK manufacturers, he claims four are healthy but some of the others may go out of business.

Among Crown's healthiest rivals is Coloroll. After a mere 10 years in the business, it claims to be neck-and-neck with Crown as a wallpaper brand leader. (Coloroll recently attracted a £17.9m take-over bid from the Charterhouse Group.)

Crown's own decline from 85 per cent of the market 20 years ago, mirrors that of the UK wallpaper market as a whole. Once easily the biggest in the world, the UK market is now about the same size as those of France and West Germany—about 70m rolls a year are bought in each country.

As regards the geographical structure of the UK market, most wallpaper buyers used to be householders in the industrial North of England, but sales there are not markedly different to those in other parts of the country.

There have also been big changes in the way wallpaper is distributed. At the height of Crown's prosperity, most of its sales went through wholesale merchandisers. Now, Mr Lewis says, it is being sold "like a commodity," with 65 per cent of the trade going through multiple chains and what he calls "shed operations."

One thing which has not changed is Britain's prominence in the global market for wallpaper. The UK industry sells 30 per cent of its production abroad. Crown's main outlets are on the Continent and in Australia and North America.

Another constant is the location of the bulk of UK wallpaper mills within a 30-mile radius of Darwen—a reminder of the industry's kinship with the onec-prosperous Lancashire textile industry.

Swan National offers 'big savings' on fleet fuel bills

BY JOHN GRIFFITHS

SWAN NATIONAL Rentals, part of the TSB Group, has devised a monitoring scheme which, it claims, could save companies "thousands of pounds" on fuel bills for car fleets.

Although Swan National says it has spent £200,000 on introducing the scheme, it is being offered free to any companies running a fleet of 15 or more cars.

Swan expects in return to win increased car rentals business and extra demand at its 60-strong network of filling stations.

Drivers authorised by companies which take up Swan's offer of a credit account will be able to obtain fuel from Swan garages. One fortnightly computerised invoice will be sent covering supplies from all stations.

Drivers will be able to obtain only fuel, so abuses such as cigarettes being billed to the company will be eliminated. There is no credit charge surcharge. Transactions will be interest free for up to three weeks.

A petrol rebate scheme of up to 4p a gallon is also being offered where companies also use Swan's rental vehicles, the precise amount depending on the volume of business.

The main drawback to the scheme appears to be the relatively thin spread of Swan's forecourt system throughout the country.

Sizewell probe opens in July

THE INQUIRY into the Central Electricity Generating Board's application to build a pressurised water reactor station at Sizewell in Suffolk will begin formally on July 26 at The Maltings, Snape, Suffolk.

Self-written sick notes in force from today

PEOPLE OFF work will be able from today to write their own sick notes for the first seven days of illness instead of getting a certificate from a doctor.

National Insurance forms, which the patient fills in himself, will be available from offices of the Department of Health, doctors' receptionists and hospitals. Benefit will continue to be paid after four days under the new system.

After the first seven days of illness, excluding Sundays, a medical statement must be obtained from a doctor for benefit to continue.

If more than four self-certified claims are made in 12 months the department will check, and the patient's doctor be asked to report whether benefit should be given.

The British Medical Association, which has pressed for self-certification for years, said the system would give doctors more time with patients who needed medical attention, rather than those who just needed a signature.

Some employers may still insist on employees producing a certificate signed by a doctor if they are off work. A doctor is not obliged to provide it, says the BMA, and may charge a fee for it.

The Labour Research Department, a trade union-sponsored organisation, said in a booklet on self-certification, that it had been told by the department that anyone too ill to collect a form can telephone the office for one to be sent to him or her with a reply-paid envelope.

Many employers now give more sick pay than laid down by the National Insurance scheme.

Some will rely on the Health Department form, passing it on to the department's office. Others will issue their own forms.

Self-Certification: The LRD Guide, Labour Research Department, 78 Blackfriars Road, London; 43p (incl. postage).

Mr Prior: determined

Ulster Bill 'will go through'

By Our Political Editor

MR JAMES PRIOR, Ulster Secretary, yesterday dismissed Commons opposition to the Northern Ireland Bill as not having much breadth.

He said opposition was restricted to a few backbenchers. The Bill proposes a programme of rolling devolution for the province with local politicians taking on more responsibilities.

His comments follow two all-night sittings on the committee stage and the prospect of two more this week. About two dozen Tory MPs have joined Ulster Unionists in trying to delay the Bill's passage.

Opponents' tactics appear to have produced a counter-reaction. Some Tory MPs lost two nights' sleep to support the Government. Their mood was expressed in vigorous exchanges at the Tory backbench 1922 committee on Thursday.

Some MPs criticised the role of Mr Ian Gow, Mrs Thatcher's parliamentary private secretary. He has been accused of being sympathetic and encouraging to the rebels, while voting with the Government.

Senior Ministers will wait until after this week's two sitting before deciding whether to impose a guillotine on further discussion of the Bill. This is looking increasingly likely, though Mr Prior said yesterday he hoped this would not be necessary.

In an interview on the BBC World this Weekend programme, Mr Prior said he was convinced the bill would go through.

Labour Party 'would reimpose capital outflow controls'

BY PETER RIDDELL, POLITICAL EDITOR

A LABOUR government would reimpose controls on the movement overseas of capital from the UK, Mr Peter Shore, the Shadow Chancellor, said yesterday.

Mr Shore said, at a by-election meeting in Airdrie, that the "scandal of capital outflows" explained partly "why the UK is poorer now than it was three years ago."

However, he said overseas investment "can often be in the UK's interest, given the complexities of international trade and given the activities of British companies overseas."

Mr Shore laid out the economic policies of a future Labour government. He said there was a great difference between an orderly and restricted movement of capital and a total free-for-all.

"What makes this even more unacceptable is that a very large part of the sums involved represent the collective and often compulsory savings of men and women at work in Britain," he added.

There are signs that the Coatbridge and Airdrie by-election, on June 24, will check Labour's run of disastrous by-election results. An Observer/NOP poll published yesterday suggests that Labour will take 74 per cent of the vote on a lowish turnout, against 15 per cent for the Conservatives, with the Scottish Nationalists and Liberals easily losing their deposits.

But the constituency is one of the safest Labour seats in the country, with a majority of more than 15,000 in the 1979 election. The Scottish Nationalists are currently deeply divided politically and the Liberals have had little chance to build up an organised campaign.

Thatcher plea on arms

BY PETER RIDDELL, POLITICAL EDITOR

MRS THATCHER is expected to make a special appeal for disarmament agreements covering conventional as well as nuclear weapons when she addresses the second United Nations special session on disarmament in New York on Wednesday.

The Prime Minister will make a flying visit to the U.S., staying less than 24 hours.

She is expected to have talks with Sr Perez de Cuellar, the UN Secretary-General, for the first time since the Falklands' crisis started.

She does not intend to meet members of the U.S. Administration.

A major theme of the UN speech, on which she worked over the weekend, is likely to be the need for disarmament negotiations not to concentrate exclusively on nuclear arms, but to consider other developments, particularly of conventional arms.

She is likely to urge a flexible approach to disarmament, without undue concentration on legal language or predetermined timetable for negotiation.

Tories name Gower man

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Conservative Party, anxious not to be caught out by an early by-election in Gower following the death of the MP there, has named Mr Trefor Llewellyn as its prospective candidate for the constituency at the weekend.

Mr Llewellyn, a 35-year-old accountant, fought Gower for the Conservatives in the last general election in 1979. He reduced the Labour majority of Mr Ifor Davies, the MP for Gower who died a week ago after holding the seat since 1959, from 16,204 votes to 10,641 votes. He pushed the Conservative share of the poll up from a normally steady 20 per cent to 30 per cent.

Mr Llewellyn contested the February 1974 general election as Conservative candidate for another Welsh seat, Cardigan.

The Conservative selection leaves only the Social Democrats among the main parties without an adopted prospective candidate.

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UK NEWS — LABOUR

Insurance staff may take action

By Brian Groom, Labour Staff

STAFF AT Commercial Union Assurance may take industrial action for the first time over a 7.5 per cent pay offer. Deals in most insurance companies have been between 8 and 10 per cent.

The company invoked its disputes procedure when the leaders of the Commercial Union Group Staff Association recommended rejection in a ballot. The asssociation's 5,600 members rejected the offer overwhelmingly.

Staff negotiators will meet board members today and either side could insist on binding arbitration if there is no settlement.

Leaders of the staff association have not ruled out industrial action, even though this could breach the procedure.

The Association of Scientific, Technical and Managerial Staffs (ASTMS), with 75,000 members in the insurance industry, said yesterday it was "very pleased" with results from its pay bargaining so far.

It acknowledged a few poor settlements, but listed 12 deals of 9 per cent or more. Others were about 8.5 per cent.

Mr Peter Kennedy, ASTMS national officer, said negotiations began with a new, aggressive mood among employers, who for the first time tried to settle some way below the retail price index. Some began with 7 per cent offers, and it appeared there was an attempt to impose an 8 per cent norm, he said.

There was evidence of political pressure, particularly from the Confederation of British Industry, to stop settlements running ahead of those in manufacturing and other industries.

The effect of this diminished as the round progressed, and some of the best settlements were achieved as inflation fell from 12 per cent in January to 9.4 per cent in April.

Higher settlements included: Royal (10.75 per cent), Norwich Union (9), Legal and General (9, plus other benefits), Prudential office staff (9), Pearl (9.5), Royal London (10-12.2, plus lump sum), Zurich (10).

ICI unions back 8% deal

TRADE UNIONS representing 37,000 manual workers employed by Imperial Chemical Industries are to recommend acceptance of the company's latest pay offer, amounting to 8 per cent.

Mr David Warburton, chairman of the signatory unions' committee, said: "In no way does this proposed pay deal affect our opposition to massive job cuts."

Right-led unions back automatic representation on TUC council

BY JOHN LLOYD, LABOUR EDITOR

UNIONS pushing for change on the General Council of the Trades Union Congress have agreed a common form of representation on the council which would mean a complete break with the present system of elections.

Under a decision of last year's congress, the TUC was required to examine ways of introducing a system which would give automatic representation on the council to all unions with more than 100,000 members. The key element in this divisive issue has been the arrangements for the 85 smaller unions.

All the smaller unions were deeply divided on the five options for representations proposed by the TUC and fell basically into two camps, for and against change.

The pro-change unions are largely on the right, since the "automaticity" principle presently tends to benefit Right-led unions. A significant number have reached a consensus on the fifth option proposed by the TUC—which means electing 11 General Council members from a single list, with all the smaller unions voting for each member every year.

Adoption of this system would mean that the election of members by trade group — the present method—would disappear. The 23 or 24 large unions would have at least one representative without election, according to a numerical formula. The electoral element would be confined to unions with less than 100,000 members, but not arranged in groups.

The pro-change unions favour this system for a variety of reasons. One is the need to get as much unity as possible in face of a relentless onslaught on "automaticity" by unions, largely on the left, who oppose change.

The anti-change unions will not plump for any of the options. They will argue that all the options on offer are undemocratic, because they all assume automatic placing rather than the present electoral system.

They believe they can muster a majority behind this argument at the next congress in September and thus reverse last year's decision.

The options proposed by the TUC include — besides the favoured single list option—two based on trade groups and two based on groupings by size. One from each of these two pairs is based on the voting for representatives being confined to the particular groups, while the other allows for voting by all the unions for the representatives from each group.

The suggested arrangement for trade groups shows fundamental alterations to the time-honoured system, and is a model of how a more rational trade group structure might work.

In place of the present 18 groups, the TUC proposes seven: transport (including railways); engineering and metal trades (including steel); mining, construction, woodworking and ceramics; textiles, clothing and footwear; agriculture, food, drink, tobacco and distribution; public employees; and printing, professional, scientific, clerical and entertainment.

However, the smaller unions who support change believe that any group system would not be sufficiently responsive to the relatively-rapid shifts in the nature and size of union membership, without frequent and confusing changes.

The miners' solidarity Saturday

Christian Tyler went to Edinburgh for the Scots mineworkers' Gala Day of sports and speech-making

THE SCOTS mineworkers' gala is held, by tradition, in inclement weather at Holyrood Park, Edinburgh, where the volcanic crags of the peak known as Arthur's Seat glower down on the royal residence abandoned by Queen Victoria in favour of Balmoral Castle in the Highlands.

Gala Day is an annual reaffirmation of community spirit and political purpose. It is a day out for miners and their families, and a day of competition between pipe bands, brass bands, athletes and boxers from the scattered pit villages. Also, it is a day when the miners remember their turbulent history and think about the political agenda.

This year it was the nurses' claim for more pay that provided the key to a wider political message.

As the miners marched on Saturday through the centre of the city on their way to the park, they passed the gates of Queensberry House Hospital where red-cloaked nurses were lining the pavement to see them go by. Mr Mick McGahey, the Scottish mineworkers' president, and colleagues at the head of the column stepped aside to clasp hands of old people in wheelchairs and to pledge their support for the nurses' cause.

For the militant miners of Scotland—as for their colleagues in Yorkshire who gave up a day's pay recently for health workers in dispute—the combination of industrial workers and nurses is more than a practical demonstration of the fight for higher wages. It is also meant to show the Government that labour solidarity survives and that trade union legislation will not undermine it.

That point was made explicity in Holyrood Park by one of the invited speakers, Mr Jim Mortimer, the former chairman of ACAS, who is soon to become general secretary of the Labour Party.

The Government's Employment Bill was designed to outlaw solidarity, he declared. "The miners are setting a magnificent example to the rest of the trade union movement in support of the nurses."

The battle in the South Atlantic provided the other dominant theme for the guest speakers: Mr Martin Flannery the left-wing Labour MP for Sheffield Hillsborough, Mr Alan Sapper, the chairman of the TUC this year, and Mr Peter Heathfield, secretary of the Derbyshire area of the National Union of Mineworkers.

Another talking point was the elevation last week of Mr Joe Gormley, former national president of the NUM, to the peerage. "I always said he would be Lord Joe before he was Saint Joe," was Mr McGahey's only comment.

Mr Heathfield questioned whether the traditional procedure, whereby a sword is lowered onto the shoulder of honoured citizens, should not be re-examined. "Perhaps we should have a working party to suggest that the sword could in future usefully be moved in a horizontal manner," he said.

Canadair announces yet another breakthrough in the fight against the high cost of jet fuel.

April 10, 1982: First flight of the new GE-powered Challenger 601.

With the introduction of the Lycoming-powered Challenger 600 in 1976, we began an unabashed campaign to wean executive travelers from the cramped, fuel-guzzling aircraft which, until then, had passed for corporate jets.

We were met with an enthusiasm that stunned even us.

Executives whose responsibilities demanded multi-hour jet travel thirty or forty times a year or more were apparently possessed of a desperate inner longing for an alternative to claustrophobia. And here we were, offering an aircraft both wider and more economical than any other intercontinental corporate jet in the world.

With the result that back orders for the Challenger 600 sprouted like the proverbial beanstalk.

At this writing, more than ten 600s are already in service, and over 25 more are in completion centers. More than 6,000 fleet hours have already been accumulated by these aircraft. And more than 30 Atlantic crossings were made during those hours.

And all this, as of the first flight of a new Challenger on April 10, 1982, is only half the story.

Introducing a second Challenger to choose from.

Like the Lycoming-powered Challenger 600, there were those who said the new Challenger 601 would never fly.

It was said, no corporate jet in history had ever combined so much performance with so much fuel economy. It was said, no corporate jet in history had ever combined such performance and economy with such a wide cabin configuration.

All we said was, it will fly in April, 1982, which it has.

All we're saying now is, the General Electric engine will be certified on schedule in mid-1982. The aircraft will begin serving our customers and causing discomfort to our competitors by late 1983, and, like the Challenger 600, fly you more economically and in greater comfort than any other intercontinental corporate jet in the world.

(The fact is, even far smaller jets like the Falcon 50 and the Falcon 20F fail to achieve any meaningful advantage over either Challenger in fuel efficiency. While a Gulfstream III can consume as much as 40% to 60% more than a 600 or 601,* depending on trip length.)

Actually, there is one other thing we'd like to say. If you want to find out more about the Challenger family of business jets, the man to speak to is Mr. James B. Taylor, President of Canadair Inc. You can call him at (203) 226-1581, or write him at Canadair Inc., 274 Riverside Avenue, Westport, CT 06880.

In the Mideast business world, TAG Aeronautics Ltd. is the exclusive distributor and representative for Challenger sales and support. For further information, contact Adel A. Oubari, Vice President, TAG Aeronautics Ltd., 14 Rue Charles Bonnet, 1211 Geneva 12, Switzerland. Phone: (022) 46 17 17. Telex: 289 084.

And you might as well know now. The back orders have already started.

canadair challenger

*Challenger 601 data are based on wind tunnel tests and continuing flight tests. For performance guarantees, see technical specifications.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Commercial Bk of the Near East, 107-112, Leadenhall Street, EC, 11.00
Equity Capital for Industry, The Pewterers Hall, Oat Lane, EC, 4.15
Exco Intnl, Milestone House, 105-109, Cannon Street, EC, 10.30
Glasgow Pavilion, Pavilion Theatre, Renfield Street, Glasgow, 12.15
King and Shaxson, 52, Cornhill, EC, 12.15
Mowlem (John), Westgate House, Ealing Road, Brentford, Middx, 1100
Outwich Inv Tst, 8, Bishopsgate, EC, 2.30
Reunion Props, 100, Park Lane, W, 12.00
Simon Eng, Bird Hall Lane, Cheadle Heath, Stockport, 12.00
Young Co's Inv Tst, 20, Cannon Street, EC, 12.45

BOARD MEETINGS—
Finals:
Elswick-Hopper
Ferguson Ind
MK Electric
Property Hldg and Inv Tst
WGI
Interims:
Fenner (J.H.)
Kenning Motor
Stewart Nairn

DIVIDEND & INTEREST PAYMENTS—
Blue Circle Inds 11.75p
Cooper (Frederick) 0.5p
Hammerson Prop and Inv Tst 8p
Hanger Invs 0.5p
Honeywell 85cts
House of Lerose 4.6p
Laird Grp 2p
Laporte Inds 3.5p
Liberty 2p
TR North American Inv Tst 4.25p
Turriff Con 5p

TOMORROW

COMPANY MEETINGS—
Astbury and Madeley, Finch Road, Lozells, Birmingham, 12.00
Clive Discount, 1, Royal Exchange Avenue, EC, 12.00
Duport, Sedgley Road East, Tipton, W Midlands, 12.30
London and Lennox Inv Tst, 2, St Mary Axe, EC, 3.00
Macfellan (P. and W.), Merchants House Hall, 7, West George Street, Glasgow, 12.00
Midland Inds, Mount Hotel, Mount Road, Tettenhall Wood, Wolverhampton, 12.00
Newcastle and Gateshead Water, Allendale Road, Newcastle upon Tyne, 12.30
1928 Inv Tst, 1, Brewer's Green, Buckingham Gate, SW, 3.00
Tarmac, Hyde Park Hotel, Knightsbridge, SW, 12.00
Telephone Rentals, TR House, Bletchley, Milton Keynes, Bucks, 12.35
Wace Grp, Great Eastern Hotel, Liverpool Street, EC, 12.00

BOARD MEETINGS—
Finals:
Anglo-Indonesian Corp
Bankers Inv Tst
Beechwood Construction
Bradford Prop Tst
Butterfield Harvey
Parrish (J.T.)
Time Products
Interims:
Crest Nicholson
Guinness (Arthur)
London Scottish Finance Corp
Muirhead
Plaxtons (GB)
Winterbottom Energy Tst

DIVIDEND & INTEREST PAYMENTS—
AECI 5½pcPf 2.75pc
Alcan Aluminium (UK) Db 4¼pc
Amfac Inc 36cts
Astbury and Madeley 4p
BOC Dbs 4½pc (1988), 4½pc (1990) and 5¼pc (1992)
BSR Ln 2¼pc
Barclays Overseas Inv GtdFltgRtNts 1990 $74.25
Britannia Jersey Gilt PtgPf 0.6875p
Caisse Nationale Des Auto Routes 16pcLn £%4.4186
Commercial Bk of the Near East 30p
Continental Grp 65cts
Cummins Engine 50cts
Dana Cpn 40cts
Dover Cpn 16.5cts
Drayton Premier Inv Tst 5pcPf 2¼pc
E African High Commission 5½pc 1977-1983 (Posts and Tel) 2¾pc. Do 5½pc 1977-83 2¾pc
Exco Intl 2.5p
Fleming Far Eastern Inv Tst Db 2pc
Greece 5pc 1890 (Piraeus-Larisa Rly) (Asd) 2½pc. Do 5pc 1890 StlgFdgBds 1965 2½pc
Guardian Royal Exchange Ln 3½pc
Haden 5.5p
Hambro Tst 6pcPf 2.1pc
Herman Smith 0.2p
Hutton (E. F.) 20cts
Investors Capital 5¼pcPf 1.8375pc
King and Shaxson 5.5p. Do CumPtgPfd 3.15p. Do 5pc2ndPf 1.75p
Louisiana Land and Explrn 45cts
Natomas 35cts
N Zealand 7¼pc 1983-86 3⅝pc
Outwich Inv Tst 1.53p
Owens-Illinois 42cts
Pennzoil 55cts
Quaker Oats 45cts
Ranks Hovis McDougall Ln 3⁹⁄₁₆pc
Rio de Janeiro (State of) 7pcStlgLn 1927 3½pc
St Lawrence Ottawa Rly Stlg1stMtgBds 2pc
Sea Containers $1.4625Pfd 36.5625cts
Seagram 45cts
Sun Life Assurance 6.5p
Sunderland 12¼pc 1984 6⅛pc
Sungai Bahru Rubber 0.5p
TRW 65cts
Time Inc 25cts
Treasury Ln 8¼pc 1987-90 4⅛pc. Do VarRte 1982 £7.05
Utd Biscuits Dbs 3¾ and 4pc
Winterbottom Energy Tst 3½pcPf 1.75pc
Witan Inv Db 2¾pc (1980-84)

WEDNESDAY JUNE 16

COMPANY MEETINGS—
Bardsey, The Britannia Hotel, Grosvenor Square, W, 12.00
Blockleys, Edgbaston House, Walker Street, Wellington, Telford, Shropshire, 12.00
Boosey and Hawkes, Cafe Royal, 68, Regent Street, W, 12.00
City of Oxford Inv Tst, 41, Bishopsgate, EC, 12.00
Concord Rotaflex, Concord House, 241, City Road, EC, 10.00
Folkes (John) Hefo, Chamber of Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Hambro Life Assurance, 51, Bishopsgate, EC, 11.00
Hawker Siddeley, Dorchester Hotel, Park Lane, W, 12.00
London Atlantic Inv Tst, 91, Waterloo Road, SE, 12.00
Manor National, Hathersage Road Corner, Oxford Road, Manchester, 12.00
Minster Insurance, Minster House, Arthur Street, EC, 12.30
Parambe, 1/3, Worship Street, EC, 2.30
Penqkalen, 65, London Wall, EC, 3.00
Pritchard Services, Dorchester Hotel, Park Lane, W, 12.00
Richardsons Westgarth, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00
Secs Tst of Scotland, 29, Charlotte Square, Edinburgh, 12.00
Shiloh Spinners, Holden Fold, Royton, 11.30
Smith St Aubyn, Winchester House, London Wall, EC, 12.00

BOARD MEETINGS—
Finals:
Alpine Soft Drinks
Country and New Town Props
Cropper (James)
Geevor Tin Mines
Johnson Matthey
Sumrie Clothes
Tesco Stores
Interims:
Dundee and London Inv Tst
Scottish American Inv

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage VarBds (10-6-83) £8.3047
Australian Agricultural A$0.15
Blockleys 5.37p
Clive Discount 1.6p
English Electric Db 2¾pc (1977-82)
Ind Credit and Inv Cpn India GtdFltgRt Nts 1991 A$376.01
Leicester FltgRt 1982 £8.1719
Pearl Assurance 14.5p
Utd Biscuits Ln 2⅝pc
Wilkes (James) 2.625p

THURSDAY JUNE 17

COMPANY MEETINGS—
Afex Cpn, 25-35, City Road, EC, 12.00
Allebone, Oakley Road, Rushden, Northamptonshire, 11.30
Automotive Prods, Grosvenor House, Park Lane, W, 12.00
Burma Mines, Winchester House, 100, Old Broad Street, EC, 12.00
East Rand Cons, 25, City Road, EC, 12.30
Emray, 61, Grosvenor Street, W, 10.00
Farnell Elecs, Queens Hotel, Leeds, 1.00
Futura Hldgs, Quarry Street, Stalybridge, Cheshire, 12.00
Garner Booth, Grange House, 84,-86, Borough High Street, SE, 2.30
Lilleshall, St George's, Telford, Shropshire, 12.00
Northern Goldsmiths, County Hotel, Neville Street, Newcastle upon Tyne, 12.00
Portsmouth Water Co, Brockhampton Springs, West Street, Havant, Hants, 12.00
Scottish Mortgage and Tst, 3, Glenfinlas Street, Edinburgh, 10.30
Smith (W. H.), London Intnl Press Centre, 76, Shoe Lane, EC, 12.00
TR Ind and Gen Tst, Mermaid House, 2, Puddle Dock, 12.45
Vosper, Dorchester Hotel, Park Lane, W, 12.00
Yule Catto, Browns Hotel, Dove Street, W, 12.00

BOARD MEETINGS—
Finals:
Braby Leslie
British and American Film
British Steam Specialities
Continuous Stationary
Dawson Intnl
Cominfon and General Tst
East Midland Allied Press
Inchcape
Lynton
Northern Secs Tst
Pauls and Whites
Standard Fireworks
Staveley Inds
Interims:
Bakers Household Stores (Leeds)
English China Clays
Flexello Castors and Wheels

DIVIDEND & INTEREST PAYMENTS—
Greens Economiser Ln 4⁹⁄₁₆pc
Hambro Life Assurance 8.02p
MacDonald Martin Distilleries 9.5p. Do B 4.75p
Mexico 8¼pc 1991 4⅛pc
Ovenstone Invs 1.5cts
Smith St Aubyn 6pcPf 2.1pc. Do 9½pcPf 4.75pc
Smiths Inds 4p
Stanley (A. G.) 1.5p
TR Technology Inv Tst 2.3p

FRIDAY JUNE 18

COMPANY MEETINGS—
British Rayophane, Britannia Hotel, Grosvenor Square, W, 9.45
British Sidac, Britannia Hotel, Grosvenor Square, W, 9.30
Coats Patons, Merchants Hall, 30, George Square, Glasgow, 12.00
East Surrey Water, London Road, Redhill, Surrey, 10.30
French Kier, Connaught Rooms, Great Queen Street, WC, 12.00
Geers Gross, 7, Soho Street, W, 12.00
Hyman (I. and J.), Queens Hotel, Leeds, 12.00
Roberts Adlard, 116, Pall Mall, SW, 12.00
Scottish Northern Inv Tst, Station Hotel, Aberdeen, 12.15
Small (John C.) and Tidmas, The New Mechanics, Birbeck House, Trinity Square, Nottingham, 12.00
Sunlight Service, London Westbury, Bond Street at Conduit Street, W, 12.00

BOARD MEETINGS—
Finals:
Crosby Woodfield
London and O'seas Freighters
Property Partnerships
Wedgewood
Woodhead (Jonas)
Interims:
Duple Intnl
French (Thomas)
Raeburn Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Bk Mntreal FltgRtDbs Ser 5 1990 $72.04
Barton 1.4p
Burma Mines 0.55p
East Surrey Water 7pc (Fmly 10pc) Max 3.5pc. Do B 4.9pc (Fmly 7pc) Max 2.45pc. Do C 3.5pc (Fmly 5pc) Max 1.75pc. Do 4.2pc (Fmly 6pc) RdPf 1985-1990 2.1pc. Do 4.55pc (Fmly 6½pc) Rd Pf 1981-83 2.275pc. 5.5pc (Fmly 8pc) RdPf 1992-94 2.8pc. A7pc (Fmly 10pc) Max 3.5pc. Do B 4.9pc (Fmly 7pc) Max 2.45pc. Do C 3.5pc (Fmly 5pc) Max 1.75pc. Do 3.5pc (Fly 5pc) Pf 1.75pc. Do 3.15pc (Fmly 4½pc) RdPf 1980-85 1.575pc
Glaxo 4.5p
KCA Drilling 1.875p
Lilleshall 1.5p
New Cent Witwatersrand 15.45364p
Newcastle and Gateshead Water 7pcMax Cons (Fmly 10pc) 3.5pc. Do 4.9pc (Fmly 7pc) Max Cons 1898 2.45pc. Do 4.9pc (Fmly 7pc) Ord 2.45pc. Do 4.2pc (Fmly 6pc) Max 2.1pc. Do 3.5pc (Fmly 5pc) ConsPf 1.75pc. Do 2.45pc (Fmly 3½pc) PerpPf 1.225pc. Do 4.025pc (Fmly 5¾pc) RdPf 1982-84 2.0125pc
Ottoman Bk (Br) 400p
Portsmouth Water 3.5pc (Fmly 5pc) 1.75pc
Saker's Finance and Inv Cpn Pf 2¼pc
Sunlight Service 2.775p
TR Ind and Gen Tst 1.9p
Yarrow 2.5p

SATURDAY JUNE 19

DIVIDEND & INTEREST PAYMENTS—
Exchequer 3pc 1984 1½pc
Newarthill 8p
Scottish Northern Inv Tst 2.38p

SUNDAY JUNE 20

DIVIDEND & INTEREST PAYMENTS—
Finance for Industry 14pcUnsLn 1983 7pc

Week's business in Parliament

TODAY

Commons: Motion relating to the Industrial Training Board orders. Motion on the Control of Atmospheric Pollution (exempted Premises) (Scotland) Regulations.

Lords: Lords' Expenses: Ministerial and other salaries, motions for approval. Oil and Gas (Enterprises) Bill, Report.

Select Committee: Home Affairs: sub-committee on Race Relations and Immigration—Subject: Racial Disadvantage. Witness: Rt. Hon. Timothy Raison, Minister of State, Home Office (Room 15, 10.30 am). Energy—Subject: Combined heat and power. Witness: Professor Cassalls (Room 6, 4.30 pm). Foreign Affairs—Subject: Supply Estimates 1982-83, Class II (Non-aid votes). Witnesses: BBC External Broadcasting, British Council, Foreign and Commonwealth Office (Room 8, 4.30 pm). Treasury and Civil Service—Subject: International Monetary Arrangements. Witnesses: HM Treasury officials (Room 15, 4.30 pm). Public Accounts—Subject: Appraisal and Management of major urban capital schemes. Witnesses: Crown Estates (Room 16, 4.45 pm).

TOMORROW

Commons: Northern Ireland Bill, committee stage.

Lords: Employment Bill, second reading.

Select Committee: Procedure—Subject: Procedure (Finance). Witnesses: Bank of England (Room 15, 4.15 pm).

WEDNESDAY

Commons: Northern Ireland Bill, committee stage.

Lords: Debate on proceedings of the second special session on disarmament of the United Nations Assembly in New York.

Select Committees: Scottish Affairs — Subject: Scottish aspects of the Government's public expenditure plans. Witnesses: Rt. Hon. George Younger, Secretary of State for Scotland, and Scottish Office officials (Room 6, 10.30 am). Welsh Affairs — Subjects: The impact of the EEC on Wales. Witness: Rt. Hon. Nicholas Edwards, Secretary of State for Wales (Room 18, 10.30 am). Industry and Trade—Subject: Support for Trade and Industry in Northern Ireland. Witness: Northern Ireland Chamber of Commerce (Room 16, 10.45 am). Public Accounts—Subject: Supplies to Houses of Parliament; Trading Fund; Telephone Directories. Witnesses: Clerk of the Parliaments; Clerk of the House; Controller of Her Majesty's Stationery Office (Room 16, 4 pm). Treasury and Civil Service sub-committee—Subject: The structure of personal income taxation and income support. Witnesses: TUC; Professor Sandford (Room 15, 4.15 pm). Employment—Subject: The working of the Health and Safety Commission and Executive: achievements since the Robens Report. Witnesses: TUC, Royal Society for the Prevention of Accidents; Dr T. M. Sugden, CBE, FRS, chairman, advisory committee on the Safety of Nuclear Installations (Room 8, 4.30 pm). Committee on Private Bills. Unopposed Bills 1. Severn and Trent Water Authority Bill 2. Tees and Hartlepool Port Authority Bill (Room 9, 4 pm).

THURSDAY

Commons: Motion on EEC document on German and Italian proposals on European union. Motions on the Clergy Pensions (Amendment) Measure and on the Pastoral (Amendment) Measure. Opposed private business after 7 pm.

Lords: Relief from Forfeiture Bill, second reading. Transport Bill, second reading.

FRIDAY

Commons: Debate on the Fourth Report from the Select Committee on Social Services, session 1980-81 on medical education, House of Commons paper 31 and relevant government observations.

Lords: Local Government Finance (No. 2) Bill, Report.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Self-Service Display Equipment and Shopfitting Exhibition—SHOPEX (01-540 1101) (until June 17)	Olympia
June 14-18	Business Efficiency Exhibition (01-405 6233)	Earls Court
June 16-17	EIA Engineering Exhibition (0403 69390)	Brighton Racecourse
June 21-24	Royal Highland Show (031-333 2444)	Ingliston Showground, Edngh.
June 21-27	International Food, Wine and Kitchen Exhibition (06284 2442)	Bingley Hall, Birmingham
June 23-26	International Fisheries, Processing and Marine Equipment Exhibition—CATCH (0378 77966)	Aberdeen
June 28-July 1	International Floorcovering Exhibition—INFEX (02432 5537)	Olympia
June 30-July 1	Temperature Measurement and Control Exhibition and Conference—TEMPCON (0322 4671)	Wembley Conference Centre
July 2-4	South of England Exhibition of Homes, Food, Trades and Leisure (0273 68738)	Brighton Centre
July 6-8	Integrated Energy Exhibition (0272 572 624)	Bristol Exhibition Centre
July 8-11	North London Home Improvement Exhibition (01-328 8581)	Alexandra Palace
July 13-15	Environmental Engineering Today International Exhibition and Symposium—SEECO (0763 71209)	Wembley Conference Centre
July 13-16	International Dental Exhibition—EXPODENT (01-935 8200)	Olympia
July 18-22	Harrogate Gift Fair (0282 867153)	Exhibition Centre, Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Fair for Printing and Paper Fair—DRUPA (01-730 4645) (until June 17)	Dusseldorf
Current	International Agricultural Animal Husbandry and Horticultural Exhibition and Conference—ELMIA-LANTBRUK (0732 350457) (until June 15)	Jonkoping
Current	International Medical Laboratory Exhibition (01-486 8730) (until June 18)	Amsterdam
June 15-19	International Dairy Equipment Exhibition (01-439 3964)	Paris
June 16-20	International Collectors Fair—ISA (01-236 0911)	Stuttgart
June 21-30	International Exhibition of Instruments and Equipment for Cardiovascular Treatment and Cardiosurgury—CARDIOLOGY 82 (01-235 2423)	Moscow
June 22-26	International Port Technology Exhibition — PORTECH (08833 6155)	Singapore
June 28-30	Videotex Exhibition (09274 28211)	New York
June 29-July 1	Temperature and Transducer Conference and Exhibition — SENSORS AND SYSTEMS (02802 5226)	Houston
July 1-3	Electrical Engineering Fair—ELTEC (01-486 1951)	Munich
July 7-11	International Audio Visual Exhibition—AUVI (021-705 6707)	Singapore
July 21-24	Security Asia Exhibition (0483 38085)	Hong Kong
July 31-Aug 3	Hamburg Trade Days (0202 732648)	Hamburg
Aug 11-15	International Trade Fair for Hotels, Restaurants, Catering and Food—HOTELRES (01-681 7688)	Bangkok

BUSINESS AND MANAGEMENT CONFERENCES

June 14	Industrial Relations Services (Training): Self-Certification, sick pay and sickness benefit (01-328 4751)	Café Royal, W1
June 14-15	The Economist: Hong Kong—prospects and opportunities (01-839 7000)	Frankfurt
June 15	FT Conference: The Future of Bank Reporting (01-741 4771)	Grosvenor House Hotel, W1
June 15	Cyril Aydon Associates: Corporation Tax (Banbury 720124)	Ryl. Horseguards Hotel, SW1
June 17-18	Practising Law Institute: Bank Acquisitions and Takeovers (New York 212 765 5700)	Dallas
June 17	City Seminars: Corporate Collapse (01-629 8863)	Cumberland Hotel, W1
June 21-22	FT Conference: Portugal—a new outlook (01-621 1355)	Lisbon
June 21-22	FT Conference: The Economics of Natural Gas Development (01-621 1355)	Venice
June 21-22	AMR International: Cable casting in Europe—the commercial future (01-262 2732)	London Press Centre
June 22-24	The Laboratory of the Government Chemist: International Conference on Laboratory Design and Servicing (01-928 7900)	London, SW1
June 23-24	The Aviation Business Centre Energy needs aviation (01-439 1330)	Grosvenor House, W1
June 24	LCCI: Berlin (01-248 4444)	Cannon Street, EC4
June 25	ESC: Refusal to supply—cramping consumer choice? (057 282 2711)	Bowater Conf. Centre, SW1
June 28-30	IAEE-BIEE: International energy markets—the changing structure (057 282 2711)	Cambridge
July 1	Institute for Fiscal Studies: Developments in American tax policy (01-828 7545)	Regent Palace Hotel, W1
July 5-6	MSS Computer and Business Consultancy: Management by objectives (Worthing 34755)	Worthing
July 8	IPS: Inventory cost and control (0990 23711)	Kensington Palace Hotel, W8
July 9	ESC: Sponsorship—New media, new developments, new projects (057282 2711)	Selfridge Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

BUILDING AND CIVIL ENGINEERING

Road to Baghdad

OVE ARUP has won an international competition for a contract for one of the most important projects ever carried out in Baghdad.

The £100m scheme is called the Bab al Sheikh (the name literally means the Sheikh's gate) and the Baghdad municipality's proposals for a new road to sever two old quarters of the city posed such difficult problems that a solution was sought by creating the competition early in 1981.

Arup says it believes its success in securing one of its largest-ever fees is because it best appreciated the problems involved recognised the total interaction of road site, in harmonising the new scheme with the existing environment.

The particular character of the quarter—one of the oldest in Baghdad—will be strengthened by the resurrection of urban gateways at each end of the street, and a shopping bridge spanning the road which allows pedestrians contact and freedom of movement across the quarter.

Courtyards, fountains, traditional Baghdad bricks, timber screens, and plantations give shade and, says Arup, work in conjunction with air conditioning, modern services and other facilities to create an attractive environment.

There will be schools, clinics, nurseries, shops, restaurants, swimming pools and cinemas, and the residential area will comprise about 350 housing units.

The road itself is 700 metres long—the equivalent length of Regent Street between Oxford Circus and Piccadilly—and will be wholly landscaped from start to finish.

The total area of buildings is 130,000 square metres, of which nearly half is being executed by Carlfried Mutschler and Partner, architects of Manheim, second prize winner in the original competition.

Arup Associates International says the provision of an urban redevelopment of this scale in a strange cultural environment required a maximum effort on the part of its architects and engineers and the work had to be produced in a very short time—only seven months were allowed for design and subsequent production documents.

DEBORAH PICKERING

Fighting the North Sea

ON FEBRUARY 1, 1953, the people of Zeeland, the Dutch province to the south west of Rotterdam, were confronted by a nightmare. The North Sea rose in a vast, black swell burst through the fragile dikes along the deeply indented coast and surged across 150,000 hectares of man-made land.

More than 1,800 people died, livestock was drowned, homes were swept away and the economy of an already deprived region was set back for a generation.

It had happened before. For centuries the Dutch of the western seaboard have lived in daily competition with the sea. But this cruel setback to Zeeland5s post-war recovery was seen as a disaster that should not be permitted to happen again.

A series of dams was conceived, together with secondary dikes, and despite several major alterations to the plan, work has gone ahead steadily since the first piles were driven in 1958. The delta project is one of the biggest construction developments in history and one of hte most ambitious. It aims at nothing less than total control of a sequence of four large sea inlets and the shortening of the coastline of the Netherlands by 700 km Simultaneously it seeks to protect the region's entire natural eco-system and to preserve Zeeland's delicate beauty.

A hiccough in the otherwise smooth progress of construction came last week, however, when it was disclosed in answers to questions from two Christian Democrat MPs that the bill for the final, most extensive section, the barrier across the eastern Scheldt estuary, had already risen to Fl 4.2bn and that the final reckoning could reach morfe than Fl 7bn. In 1973, before the orld oil crisis, it was to have cost Fl 3bn. The pattern is one not unfamiliar to major construction projects around the world.

Voices have been raised in protest. What has been called the greatest project of the century was labelled "the greatest blunder," and the national court of auditors was instructed by the Government to prepare a report on how the money had been spent.

But while there are those who, in times of recession, are ready to question the value of the eastern Scheldt barrier, the country as a whole is deeply committed to it. No Government could survive its abandonment, and the main point of the auditor's report is likely to be a plea for improved inflation accounting.

Zeeland in 1982 is still a remote part of the Netherlands, old fashioned in its ways, at war with the sea and largely dependent on agriculture. The delta project should be an enormous boost to its security and its economy, opening it up to further development and linging it more firmly to Holland's intricate motorway system.

Originally, the project was to have been completed by 1978, but public outcry over damage the proposed "solid" dam across the eastern scheldt would have caused to the environment brought about a far-reaching change of plan and a new deadline, 1985. Now, a barrier is being constructed which will close the estuary only when storms threaten. Work on the new, variable barrier began in 1976.

The result, in three years' time, will be 3,200 metres long consisting of 63 sluise gates between piers. In normal sea conditions, the barrier will remain open and the bulk of the development will lie beneath the surface of the water It will be perceived from the shore mainly as a motorway on stilts, but when the tide rises, the massive gates will rise and hold back and threatened advance on the land.

The height of the gates varies from 5.9 metres near the shore to 11.9 metres in deeper water, and they are operated by machinery designed to function in the most extreme foreseeable conditions. The control centre will include a hydrological and meteorological information system, fault monitoring devices and a computer to help decide when and in what formation the gates should be closed. The piers between the gates each weigh 25,000 tonnes. They are wedged shaped and some 50 metres in height.

By maintaining the familiar rhythms of seas and shore, the Dutch have ensured that fishing, tourism and wildlife in Zeeland will not be destroyed. The effect will be achieved at great cost but the expenditure is considered well worthwhile by most citizens The majority of tax-payers, it seems, are willing to shoulder the immense burden, appreciating that not only will the people and way of life of Zeeland be safe but the reputation of Holland's hydraulic engineers will be secured for another 100 years.

WALTER ELLIS

Wooing the world Bank

COLLABORATION with international funding institutions is expected to be an active topic at the 1982 annual conference of the International Federation of Consulting Engineers (FIDIC), which starts its four-day programme in Singapore this morning.

Britain's Association of Consulting Engineers represents a profession which accounted for 20 per cent of the UK's invisible exports last year and is an active supporter of FIDIC. Major-General P. J. M. Pellereau, secretary of ACE, says that attracting funding agencies like the World Bank has become one of the most valuable functions of the conference.

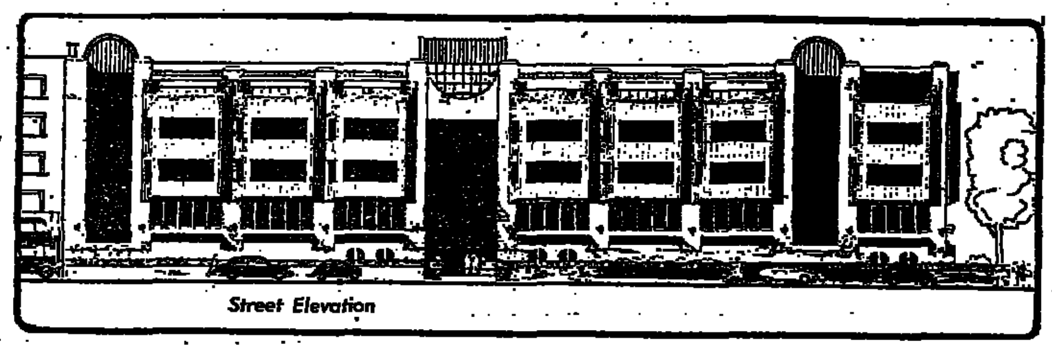
Questions which the institutions will put forward or answer, he says, will include just how much price is a factor in the early selection of project participants; whether the funds haven quota system in the allocation of money; whether selection should be made by the client, or the funding agency; and whether a project should be commercially viable, or subsidised.

On the latter point, says General Pellereau, the World Bank has become very tough in recent years, whereas some Arab funds and the European Develeopment Fund have been "more munificent."

A fair amount of this year's FIDIC forum boils down to a restatement of basic principles, such as the role of the independent engineering professional, and what a professional association is there to do.

In context, this is understandable, FIDIC was formed in 1913 and now has a membership of over 30 national associations. But in the past six years it has seen an annual rise in membership of three or four countries, with another three up for election in 1982.

The number of developing country members, says General Pellereau, is now almost as great as undeveloped. FIDIC is trying to make sure that the North/South relationship breeds collaboration, rather than dissent.



Street Elevation

Cubitts London (the wholly owned subsidiaryof Tarmac Construction) has won the £2m commission to build the French Embassy's college, to be known as the "Lycee Francais," in South Kensington. The five-storey building has been designed to harmonise with existing surroundings combining outstanding external brick characteristics with carefully arranged paved areas. Link bridges provide means of access and egress, and highlighting the grounds will be a bandstand. Classrooms are linked to ancillary rooms with a lift service to all floors, and the contract also includes mechanical and electrical fire protection and security systems. R. Vardi, Architect DESA from Paris in consultation with Pollard, Thomas Edwards and Associates, and designed the project, and Ove Arup and Partners are the commissioned consulting engineers and quantity surveyors.

New cost control guidelines

NEW GUIDELINES for more effective control in local government building contracts have been published.

Entitled "The Control of Building Projects — the role of professional officers in local government" — the 26-page guide has been prepared by a working party made up from three professional organisations.

They are the Chartered Institute of Public Finance (CIPFA); The Royal Institution of Chartered Surveyors (RICS) and The Society of Chief Architects of Local Authorities (SCALA).

The report was prepared in the light of the Maynard Report, published in July 1980 by the Advisory Committee on Local Government Audit which was severely critical of hte cost control procedures of a number of local authorities.

Among the errors cited then were the absence of regular reporting to finance directors, substantial undetected errors in fluctuation claims and variations in contract specifications unsupported by variation orders.

What's new in building

Teal Claddings says it has the first lightweight insulated aluminium composite panel to be available with an option of core material to give the specifier a range of insulation values to suit a particular application.

A number of insulation values from 0.6W/M²/°C to 0.25W/M²/°C is possible depending on which of the three core materials—extruded polystyrene, polystyrene/resin/cement, polyurethane — is selected.

The new cladding is called Alucopan and comes in 16 standard stove lacquered colours in panel sizes up to a maximum of 600mm high by 1,500mm wide and in thicknesses according to the type of core material from 30mm to 80mm.

UK CONTRACT

THREE MAJOR design and build csontracts with a total contract value exceeding £6.3m have been secured by **SHEPHERD BUILDING SERVICE.** Two contracts, for Redland Roof Tiles and Trusthouse Forte Hotels, have been won by the company's Midland and Southern Region, while the third, for Warrington Borough Council goes to the Deeds and North West Region. Work on all three sites has commenced.

The project for Redland is worth more than £2.7m and is for a new factory, including ancilliary buildings and external works, at South Cerney, near Cirencester.

The Northampton area office will carry out the contract for the 122 bedroom Post House Hotel, and associated works, at Histon, Cambridge, for Trusthouse Forte Hotels. This project has a contract value of over £2m.

Shepherd's Manchester area office, in conjunction with the Borough Surveyor's department of Warrington Borough Council, will complete the £11m contract for Fordton Leisure Centre in the autumn of 1983. With a name selected by the winner of a school children's competition, the Centre will incorporate a swimming poll, sports hall, sauna and solarium, and will be redeveloped from the former Longford County Primary School. Mechanical and Engineering Services work will be carried out in conjunction with consultants, R. W. Gregory and Partners, of Liverpool.

★

New contracts worth £4.3m have been awarded to subsidiary companies of **LONDON AND NORTHERN GROUP** based in South-West and North-West England.

In the South-West, Alfred Robinson (Builders and Contractors) has two housing contracts worth £3m in Avon and West Wiltshire. At Trowbridge it has a sponsored housing scheme in conjunction with the West Wiltshire District Council involving contsruction of 48 low cost houses on land owned by the Housing Department.

Contracts worth £1.3m have been won by Border Engineering Contractors. House modernisation worth £667,000 will be undertaken for Roxburgh District Council at Jedburgh, Hawick and Ancrum and a £358,000 contract has been awarded by the Northern Housing Association for 16 houses at Coniston in the Lake District. Border will also do work at Whitehaven Grammar School for Cumbria County Council for £86,000 and its subsidary, William Huddleston and Sons of Morecambe, has a £150,000 contract to centralise the bus depots for the City of Lancaster.

★

FOLLOWING ITS award for phases 1 and 2 of the Wavin Plastics' complex on Parsonage Industrial Estate, Chippenham, Wiltshire, **WIMPEY** has now won the third phase, valued at £1.4m. This covers the construction of a single-storey, steel-framed factory with a two-storey admin block on short-bore piles, due for completion in February 1983.

★

AWARDS FOR **TURRIFF** include the building of a home for the elderly in Clackmannanshire from the Central Regional Council Scotland, and improvement work on 46 dwellings at Chilton, Co. Durham, for Sdgfield District Council.

UK CONTRACTS OVERSEAS

[illegible] (a Davy-McKee company) has won a £25m order for an aluminium semi-fabricating plant at TLM Sibenik, Yugoslavia, against strong competition from France, Germany and Japan.

The deal covers design, supply, erection and commissioning of the plant which is due to commence full operation in 1985.

Equipment to be supplied includes a strip caster and associated furnaces, cold rolling mill, two foil finishing mills, tension level line, cut-to-length line, five foil annealing furnaces and several conversion lines for aluminium foil.

Part of the Aluminium Industry of Croatia, TLM Sibenik now produces 35,000 tons of rolled products a year, but the new plant will increase the production of rolled products by 17,000 tons, including 6,000 tons of foil.

AN ASSOCIATE company of **TAYLOR WOODROW**, Teamwork Malaysia Sdn.Bhd. has secured a second contract to extend part of the passenger facilities as Subang International Airport, Kuala Kumpur.

This latest job is worth £9m (38m Malaysian dollars) and covers the design and construction of an extension to an existing passenger transfer corridor. It has been awarded by the Malaysian Government and brings the total value of work being undertaken by the company at Subang Airport to £22m.

The building will be constructed on bored pile foundations and will be a fully air-conditioned, two-storey, reinforced concrete structure, 2,000 ft long, complete with all associated mechanical and electrical services.

THE WEEK IN THE COURTS

Extent of the power to arrest

BARELY two years before 1984, liberty has become something to be commemorated in statues and restricted by statutes. Intoxicated by their zealous worship of the demagogic shibboleth of law and order, our legislators and administrators tend to let police powers and police convenience override personal rights and civil liberties.

The protagonists of this preference will take heart from the decision of the majority of the Law Lords in *Wills v Bowley*. It is a case which has important implications, not only in the judicial interpretation of parliamentary legislation, but also in the controversial realm of the relations between the police and the community.

The events which gave rise to it were humdrum. In the early hours of December 8 1979 in a street in Cardiff, a woman spoke to a policeman in language which resulted in him arresting her. She resisted arrest, even after two colleagues came to help him. Eventually, she was put in a police van.

More than half a year later, at the Cardiff Magistrates' Court, on July 8 1980, she was convicted of assaulting the three officers who took part in her arrest, but was acquitted of the alleged offence, for which she had been arrested, of using obscene language in a street "to the annoyance of passengers."

The woman appealed against the conviction to the Queen's Bench Divisional Court, but on February 3 1981 her appeal was dismissed.

*

Yet another year passed, and on May 26 1982 her appeal to the House of Lords was rejected by a majority of three Law Lords to two.

The legislation under review in her appeal was somewhat recondite and antiquated. Few breakfast tables hum with conversation about the Town Police Clauses Act 1847. But the alleged offence for which she was originally arrested contravened the provisions of section 28 of that Act.

This section contains in 28 or so paragraphs a code of street misconduct thought then and ever since to be appropriate for police intervention and control through a power of immediate arrest without warrant.

The range of reprehensible activity to be found in those paragraphs is truly amazing: "every person who places . . . any . . . pail . . . on any footway"; "every person who rolls . . . any . . . hoop . . . upon any footway"; "every person who places any line . . . across any street"; "every person who flies any kite"; "every person who beats or shakes any carpet, rug or mat (except door-mats, beaten or shaken before the hour of eight in the morning)."

To be eligible for immediate arrest, the miscreant must commit one or other of the forbidden varieties of heinous misconduct "in any street, to the obstruction, annoyance, or danger of the residents or passengers."

Furthermore, a police officer is entitled to arrest only those persons who commit any of those offences "within his view."

The point of law which the House of Lords decided was whether the extent of a constable's power of arrest under section 28 of the Act was confined to cases "where the offence has in fact been committed" or whether the power extended to cases "where a constable honestly believes an offence to have been committed within his view on reasonable grounds derived wholly from his own observation."

The relevant words of the section, as amended, are: "Any constable shall take into custody, without warrant, and forthwith convey before a justice, any person who within his view commits any such offence."

No words in the section explicitly and specifically authorise any arrest on reasonable belief or reasonable suspicion.

This seems a striking contrast with the provisions of section 2 of the Criminal Law Act, 1967. For example, subsection 2 of that section states that "any person may arrest without warrant anyone who is, or whom he, with reasonable cause, suspects to be, in the act of committing an arrestable offence."

*

Lord Elwyn-Jones, in his speech in the House of Lords, came to the conclusion that a constable's power of arrest without warrant under section 28 of the Town Police Clauses Act 1847 was confined to cases where the offence was in fact committed in his view, except for cases where the constable honestly believed that, in the interests of public safety or where danger to life or limb or property was threatened, prompt action was called for.

Lord Lowry, the other dissenting Law Lord, relied on four principles of statutory interpretation. Words should, where possible, be construed in their ordinary natural meaning. Additional words ought not to be read into a statute unless required to make the provision intelligible. A provision containing a power or duty of arrest, particularly without a warrant, should be construed in favour of liberty of the subject. A statute should be interpreted as making the least change in the law which is consistent with its meaning.

His conclusion was that a constable's power of arrest without warrant under section 28 was confined to "cases where the offence has been committed within his" (the constable's) "view."

The majority's opinion and decision were expressed in Lord Bridge's speech. He said that "powers of arrest *in flagrante delicto*" remained "of practical importance." The law should be clear and certain. Police officers charged with "the difficult task of maintaining law and order" should be able to receive in their training "clear and confident instructions as to the circumstances in which they may, and those in which they may not, lawfully arrest without warrant persons whom they find, to all appearances, engaged in the commission of a criminal offence."

He also said that "if a power of arrest *in flagrante delicto* is to be effective at all, the person who exercises it needs protection; protection not only against liability to pay damages in tort, but, perhaps more important . . . against violent resistance to the reasonable force which a person exercising a lawful power of arrest is entitled to use in order to effect and maintain his arrest."

*

The majority of the Law Lords ruled that the power of arrest under section 28 of the Town Police Clauses Act, 1847, extended to "cases where a constable honestly believes an offence to have been committed within his view on reasonable grounds derived wholly from his own observation."

The Cardiff magistrates decided that the arresting officer honestly and reasonably believed that the woman he arrested was a person who within his view was using obscene language in the street to the annoyance of passengers. Consequently, her arrest was lawful.

Despondent libertarians may wonder whether to shake their mats or beat their breasts.

Justinian

RACING

BY DOMINIC WIGAN

IT IS not advised to back Lester Piggott to finish leading rider at Royal Ascot this week in spite of the fact that he is expected to ride Warren Place-trained runners in almost three-quarters of the royal meeting races.

Bookmakers are well aware that Piggott has more of these races than anyone now riding, or, for that matter, more than the legendary riders of the past, such as Fred Archer, and Sir Gordon Richards. A brief glance at the betting will confirm that they are determined that no-one can back Piggott at realistic odds—he is 2-1 on.

It is a sobering thought for anyone thinking of backing Piggott that a tenner on him in the local betting shop will yield a profit of just £3.50 after the 10 per cent betting tax has been deducted from stake and winnings.

Pat Eddery looks the better bet, both on interest and value. I am more than a little hopeful that he can start the royal meeting on an explosive note on Belted Earl, who faces Piggott's mount Mr Fluorocarbon in Tuesday's opening Queen Anne Stakes.

The Coventry Stakes is another race in which I expect Eddery to finish in front of Piggott—and the rest of the field for that matter. Eddery partners the exceptionally speedy Horage, whom he recently rode to a facile success at Haydock. Concorde Hero is Piggott's mount in the Coventry stakes. The Warren Place juvenile was easy winner of Kempton's Manor Stakes in which he justified odds of 5-1 on by cantering to success over Telephone Numbers.

NOTTINGHAM

2.30—Bid Again***
3.30—Northorpe
5.00—Scharade

WINDSOR

6.45—Mac's Palace
7.35—Prince of Princes
8.05—Dame de Fer**
9.05—Sabre Dance*

TELEVISION

Chris Dunkley: Tonight's Choice

Ingenuity is going to be necessary for a while among those of us having little enthusiasm for either soccer or mediocre middle-aged movies since these have been selected in large quantities by our television supplies to fill the early weeks of summer. Of course if you do share those enthusiasms you are in clover. BBC 1 kicks off with 1½ hours of World Cup Grandstand tonight with Russia playing Brazil; BBC 2 runs Take Me High, a bizarre sounding 1973 Cliff Richard movie against it, with the pop star playing a banker who introduced hamburgers to Birmingham (really); and ITV weighs in with Live And Let Die, also 1973 and the first of the James Bond films to star Roger Moore instead of Sean Connery. He chases a black master criminal and becomes involved in voodoo.

Radio has rather more demanding and rewarding schedules. Radio 3 offers 30 minutes of Buxtehude in Music for Organ, followed by a relay of a Requiem Mass including 16th century plainsong from St Etheldreda's Church, Holborn, on the anniversary of the death of Orlando Lassus in 1594; and then the Hungarian Dances Nos. 1-4 in Brahms.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.35 For Schools, Colleges. 10.00 You and Me. 10-15-12.05 pm For Schools, Colleges. 1.00 News After Noon. 1.30-1.45 Pigeon Street. 2.01-3.00 For Schools, Colleges. 3.15 Your Songs of Praise Choice. 3.35 Regional News for England (except London). 3.55 Play School. 4.20 Cheggers Plays Pop. 4.45 The Space Sentinels. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
6.00 Regional magazines.
6.25 Nationwide.
6.55 Bugs Bunny.
7.05 Triangle.
7.30 World Cup Grandstand: Brazil v USSR.
9.55 News.
10.20 Comedy Classics: Steptoe and Son.
10.50 The World of Golf.
11.28 News Headlines.
11.30 The Computer Programme.

BBC 2

6.40-7.55 am Open University.
10.30 Play School.
10.55-1.05 pm Cricket: First Test India v England.
1.35 Cricket: First Test.
6.20 Charlie Brown.
6.45 A Moment to Talk.
7.00 News Summary.
7.05 Museum of the Year.
7.30 "Take Me High."
9.00 Hitch-Hiker's Guide to the Galaxy.
9.35 Human Brain.
10.25 Grand Prix.
10.55 Newsnight.
11.40 Cricket: First Test.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Supersavers. 1.00 News, plus FT Index. 1.20 Thames News, with Robin Houston. 1.30 "That's Entertainment II." 3.45 World Cup '82: Italy v Poland.

6.15 News.
6.30 Thames News.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 The James Bond Film: Roger Moore and Jane Seymour in "Live and Let Die."
10.15 News.
11.00 World in Action.
11.30 World Cup '82: Brian Moore introduces the day's highlights from Spain, as the action starts in Scotland's group with the Russia v Brazil game in Seville.
12.10 am Crying Out Loud: The last of Thames' special late night talk-in programmes for the family.
12.40 Close: "Sit up and Listen" with Hugh Dykes.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 6.30 About Anglia. 12.10 am Preview. 12.40 Four into One.

BORDER

1.20 pm Border News. 6.45 Fashion Today. 12.10 am Border News Summary.

CENTRAL

1.20 pm Central News. 6.30 Central News. 12.10 am Central News. 12.15 Come Close presented by Cindy Kent.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 6.30 Channel Report. 10.58 Channel Late News. 12.10 am Aujourd 'hui en France. 12.15 Superstar Profile. 12.40 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 North News. 6.30 North Tonight. 12.10 am Superstar Profile. 12.40 North Headlines.

GRANADA

1.20 pm Granada Reports. 6.30 Granada Reports. 12.10 am Police Surgeon.

HTV

1.20 pm HTV News. 6.30 HTV News. 10.58 HTV News. 12.10 am Video Sounds.

HTV Cymru/Wales—As HTV West except:—12.00-12.10 am Dacw Mam Yn Dwad. 6.30 Y Dydd. 6.45-7.00 Report Wales. 11.00-11.30 Yr Wythnos. 12.10 am-12.40 World in Action. (As HTV West at 10.45 pm).

SCOTTISH

1.20 pm Scottish News. 6.30 pm Scotland Today and Crimedesk. 12.10 am Late Call.

TSW

12.27 pm Gus Honeybun's Magic Birthdays. 1.20 pm TSW News Headlines. 6.30 Today South West. 11.00 TSW Late News. 12.10 am Postscript. 12.15 am Superstar Profile. 12.40 South West Weather.

TVS

1.20 pm TVS News. 6.30 Coast to Coast. 12.10 am Barney Miller. 12.40 Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 6.30 Northern Life. 11.00 North East News. 12.10 am The Invisible Harvest.

ULSTER

1.20 pm Lunchtime. 3.43 Ulster News. 6.30 Good Evening Ulster. 10.58 Ulster Weather. 12.10 am News at Bedtime.

YORKSHIRE

1.20 pm Calender News. 6.30 Calendar (Emley Moor and Belmont editions). 12.10 am Late Night Drama.

RADIO

(s) Stereo broadcast (when broadcast on vhf)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright (s). 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 Mark Ellen (s).

RADIO 2

†5.00 am Steve Jones (s). 7.30 Terry Wogan (s). 10.00 Jimmy Young (s). 12.00 Gloria Hunniford (s). 2.00 pm Ed Stewart (s). 4.00 David Hamilton (s). 5.45 News, Sport. 6.00 John Dunn (s). 8.00 Folk on 2 (s). 9.00 Humphrey Lyttelton (s) with the Best of Jazz. 9.50 Sports Desk. 10.00 Funny You Should Ask with Peter Jones. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew. 1.00 am Encore (s). 2.00-5.00 You and the Night and the Music (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (s). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Stravinsky (s). 10.00 Chicago Symphony Orchestra (s). 10.55 Yitkin Seow piano recital (s). 11.45 Mozart and Brahms concert (s). 1.00 pm News. 1.05 BBC Lunchtime Concert (s). 2.00 Matinee Musicale (s). 3.00 New Records (s). 4.55 News. 5.00 Mainly for Pleasure (s). 6.30 Music for Organ (s). 7.00 Requiem Mass from St Etheldreda's Church, Holborn, on the anniversary of the death of Orlando Lassus in 1594 (s). 8.15 Brahms (s). 8.30 Purcell at the Playhouse (s). 9.20 BBC Symphony Orchestra concert, part 1: Alexander Knaifel (s). 10.05 Six from South Kensington by Colin McLaren. 10.10 Concert Part 2: Stravinsky (s). 10.45 Jazz in Britain (s). 11.15-11.18 News.

Medium Wave as vhf except: 10.55 am-6.30 pm Cricket: First Test, England v India.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.43 Miles Kington with recordings from the BBC Sound Archives. 8.57 Weather, travel. 9.00 News. 9.05 Start the Week with Richard Baker (s). 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Down Your Way visits Elgin, Scotland. 11.48 Poetry Please. 12.00 News. 12.02 pm You and Yours. 12.27 The Day Job. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (s). 4.30 History Reflected. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including financial report. 6.30 The News Quiz (s). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (s). 8.00 The Monday Play (s). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

CONTRACTS & TENDERS

ALGERIAN POPULAR DEMOCRATIC REPUBLIC
MINISTRY FOR EDUCATION AND SCIENTIFIC RESEARCH
DIRECTORATE FOR UNIVERSITY INFRASTRUCTURE AND EQUIPMENT
SUB-DIRECTORATE FOR PURCHASING AND CONTRACTS

Notification of International Call for Tender No. 18/82 "SDMC"

A notification of International Call for Tender has been issued with respect to the supply and installation of miscellaneous equipment in the following lots:

Lot No. 1—Kitchen Equipment—Refrigeration—Laundry (Wash) Room
Lot No. 2—Laboratory Equipment (Photographic)
Lot No. 3—Miscellaneous Equipment (Barber's Shop)

intended for the No. 1 Hall of Residence of the University of Blida.

Specifications may be obtained from the head office of the Ministry for Education and Scientific Research—Directorate for University Infrastructure and Equipment—1, Rue Bachir ATTAR—Place du 1er Mai (ALGIERS).

Tenders, accompanied by the prescribed documents, should be forwarded in a sealed double envelope to the above-mentioned address.

The outer envelope should not bear *any mention which would allow the tenderer to be identified* and should bear, in addition to the address of the Ministry for Education and Scientific Research, the mention "A.O.I. No. 18/82 "SDMC" Fourniture et Equipement de Divers Matériel de la Cité Universitaire No. 1 de Blida, soumission ne pas ouvrir" (A.O.I. No. 18/82 "SDMC" Supply and Installation of Miscellaneous Equipment for the No. 1 Hall of Residence of the University of Blida, do not open tender).

In accordance with circular No. 221 DG-CI-DMP of 4.5.81 from the Ministry of Commerce, the tenders should of necessity be accompanied by the following documents:

(a) The Articles of Association of the Company, as well as a list of the main shareholders or partners.
(b) Fiscal position in Algeria and in the country where their head office is maintained.
(c) List of the principal shareholders of the Company.
(d) Balance sheets for the previous two (2) years.
(e) Declaration that the company will not have recourse to Third Paries, in accordance with article 12 of Law No. 78/02 of 11 February 1978, relating to State Monopoly on Foreign Commerce.
(f) Distribution of Share Capital in the case of the tenderer being a Joint Stock Company.

The final date for receipt of tenders is fixed at 60 days from the date of appearance of this notice in the national Press.

Tenderers shall remain bound by their offers for a period of 120 days with effect from the closing date of this notice.

Your attention is drawn to the fact that this notification excludes amalgamations, representatives of firms, agents and other intermediaries, whose intervention is prohibited by Law No. 78/02 of 11 February 1978 relating to State Monopoly on Foreign Commerce.

TUNISIA

INTERNATIONAL INVITATION OF TENDERS

The Export Promotion Center (CEPEX), Tunisia, proposes to invite for tenders a consulting firm with extensive experience in the textile field to prospect the British market for three Tunisian textile products:

—Denim Indigo jeans
—Denim Indigo fabrics
—Cotton serge fabrics for working clothes

The British consulting firms interested in this tendering may obtain copies of the offer document from the Tunisian Embassy in London, 29 Princess Gate, London SW7.

COMPANY NOTICES

CREDIT LYONNAIS

Limited liability company with capital of FRF 1 344,000,000
Banque Nationale registered in the Liste des Banques
Registered Office: 18 rue de la République 69002 LYONS
Head Office and Management: 19 boulevard des Italiens 75002 PARIS
Trade register: Lyons B 954 509 741
SIRET 954 509 741 000 11
APE 8902

SECOND NOTICE TO HOLDERS OF USD 10,000 FLOATING RATE NOTES DUE 1988

NOTICE IS HEREBY GIVEN that since the quorum of a quarter of notes outstanding was not present or represented at the ordinary general meeting convened upon first notice for June 7th 1982 to discuss the agenda below an adjourned meeting (second meeting) of the Masse will be held in a room of the head office, 19 boulevard des Italiens, Paris II, at 3 p.m. on the 29th day of June 1982 to discuss the following agenda:

1—To approve the appointment of Messrs. Bernard POIZAT and Michel MUNOZ as first representatives of the Masse, as put forth in the offering Circular.
2—To designate Miss Caroline SALIB and Mrs Jacqueline JACQUEMET as alternative representatives.
3—To fix their remuneration.
4—To determine the place where will be kept the proxies of noteholders represented, together with the attendance sheet and the minutes.

Holders of notes in bearer form wishing to attend or to be represented by proxy must lodge their certificates five days prior to the meeting with the principal offices or branches of any of the following institutions:

— CREDIT LYONNAIS
— BANQUE INTERNATIONALE A LUXEMBOURG S.A.
— ARAB BANKING CORPORATION
— BANKERS TRUST COMPANY

where forms of proxy will be available.

Proxies lodged for the first meeting will be valid for the second.

No quorum being required upon second notice resolutions will be passed at a majority of votes cast excluding blank or nil votes.

The text of proposed resolutions may be consulted by noteholders at the head office of Crédit Lyonnais, 19 boulevard des Italiens, Paris II, and at the offices of the fiscal agent and each paying agent.

THE BOARD

RENFE

Red Nacional de los Ferrocarriles Españoles

US$100,000,000
Floating Rate Notes due 1989

For the six months
June 14, 1982 to December 14, 1982
the Notes will carry an interest rate of 15 7/16 % per annum.
As a consequence, the coupon pertaining to this interest period will be US$784.74

Listed on the Luxembourg Stock Exchange

The Mitsui Bank, Limited
Brussels Branch
Fiscal Agent

PROVINCE OF NEWFOUNDLAND (CANADA)

U.S.$50,000,000 9¼% 1978/1990 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that nominal U.S.$1,250,000 have been purchased in satisfaction of the Purchase Fund during the twelve-month period commencing June 1, 1981.

Amount outstanding: U.S.$43,175,000

June 14, 1982

PROVINCE OF NEWFOUNDLAND (CANADA)

VILLE DE MONTREAL

Cdn$40,000,000 10% Bonds Due 1989

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that an aggregate principal amount of Cdn$ 1,000,000 has been purchased for the Purchase Fund during the twelve-month period commencing June 1, 1981.

Amount outstanding: Cdn$ 33,000,000

June 14, 1982

VILLE DE MONTREAL
Québec, Canada

Canadian Pacific Enterprises Limited

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held at Montreal, Quebec, on the 4th day of June, 1982, resolved that a quarterly dividend of twenty-eight cents (28¢) Canadian per share on the outstanding Common Shares of the Corporation be and the same is hereby declared payable on July 21, 1982 to shareholders of record at the close of business on June 16, 1982.

By order of the board,

G.S. MacLean,
Vice-President, Administration and Secretary.

Montreal, Quebec, Canada

June 4th, 1982.

CONTRACTS AND TENDERS

ELECTRICITY SUPPLY COMMISSION—ZIMBABWE

WANKIE POWER STATION STAGE 2

In connection with Stage 2 of Wankie Power Station invitations to tender for Contract 2T3 will be issued within the next two months.

The Contract comprises design, manufacture, supply and installation of

1. 362 kV Switchgear and associated control and protection equipment to complete a seven-bay extension of the 345 kV substation at Wankie Power Station and
2. 36 kV Switchgear and associated protection equipment to complete a two-bay extension of the 33 kV substation at Wankie Power Station.

Firms interested in tendering for the above are invited to make application in writing not later than 31 July 1982 to

Merz and McLellan, Consulting Engineers, Amberley, Killingworth, Newcastle upon Tyne NE12 0RS, England. Telex 53561.

A copy of the application together with a deposit of 500 Zimbabwe Dollars should be forwarded simultaneously to

The Secretary and Legal Adviser, Electricity Supply Commission, Electricity Centre, Samora Machel Avenue, Harare, Zimbabwe.

Tenders will only be considered from firms who submit with their tenders satisfactory evidence of experience in all the specified requirements.

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of U.S.$225 Million
June 1981/96

The rate of interest applicable for the period beginning 11th June 1982 and set by the reference agent is 15¼% annually.

PERSONAL

BREATHTAKING BARBICAN—Now complete. Tower flats to rent, unfurnished. £4,500 to £24,000 p.a. Company applications welcome. Ring 01-628 4372 or 01-588 8110.

CLUBS

THE GASLIGHT OF ST JAMES'S. London's most exciting businessman's night club. No membership needed. 2 bars, dozens of danceable companions, intriguing Cabaret Acts. Happy hour 8-9 pm. If required superb three-course dinner, only £9.75, plus service and tax. Entrance fee £5.75 (£5 refunded to diners ordering before 9 pm). Open Mon.-Fri. 8 pm-2 am. Sat. 9 pm-2 am. 4, Duke of York Street, W1. Tel: 01-439 7242.

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION REPORT ON CAR PARTS

Notice published by the Secretary of State under section 91(2) of the Fair Trading Act 1973.

Proposed Order under sections 56 and 90 of, and paragraphs 1 and 2 of Part I of Schedule 8 to, the Fair Trading Act 1973 in relation to terms in franchise agreements made by manufacturers and importers of cars.

(1) Section 91(2) of the Fair Trading Act 1973 ("the Act") requires the Secretary of State, before making an order under section 56 of the Act, other than any such order as is mentioned in section 91(1), to publish, in such matter as appears to him to be appropriate, a notice:
(a) stating his intention to make the order;
(b) indicating the nature of the provisions to be embodied in the order; and
(c) stating that any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing (stating his interest and the grounds on which he wishes to make the representations) before a date specified in the notice (that date being not earlier than the end of the period of thirty days beginning with the day on which publication of the notice is completed).

(2) The Secretary of State is required by section 91(2) to consider any representations duly made to him in accordance with the notice before the date specified in the notice.

(3) The Secretary of State accordingly hereby gives notice that he intends to make an order under sections 56 and 90 of, and paragraphs 1 and 2 of Part I of Schedule 8 to, the Act in relation to terms in agreements between manufacturers or importers of cars on the one hand and a person to whom a franchise to deal in cars or car parts is given by manufacturers or importers of cars on the other hand. The order will be made for the purpose of remedying or preventing the adverse effects specified in a report of the Monopolies and Mergers Commission entitled "A Report on the matter of the existence or the possible existence of a complex monopoly situation in relation to the wholesale supply of motor car parts in the United Kingdom" as laid before Parliament on 25th May 1982. The nature of the provisions to be embodied in the order will be as follows:

(a) subject to (c) below, it shall be unlawful for a manufacturer or importer of motor cars:
(i) to make, or
(ii) to carry out
an agreement with a person to whom such manufacturer or importer has given a franchise to deal in motor cars or car parts supplied to that person by the manufacturer or importer ("the franchisee") to the extent that it contains a provision under or by virtue of which the franchise is required to acquire car parts exclusively from that manufacturer or importer, or exclusively from sources approved or specified by that manufacturer or importer;

(b) Subject to (c) below, a manufacturer or importer of motor cars or a franchisee who is a party to an agreement containing a provision such as is described in (a) above shall, to the extent that it contains such a provision, terminate it.

(c) Neither (a) nor (b) above shall apply to a provision in an agreement between a manufacturer or an importer of motor cars on the one hand and a franchisee, on the other hand under or by virtue of which the franchisee is required to use only car parts supplied by the manufacturer or the importer, or by sources approved or specified by the manufacturer or the importer, for the purpose of replacing a car part on a motor car which is subject to the manufacturer's or importer's warranty and the replacement is to be made during the period when the warranty applies;

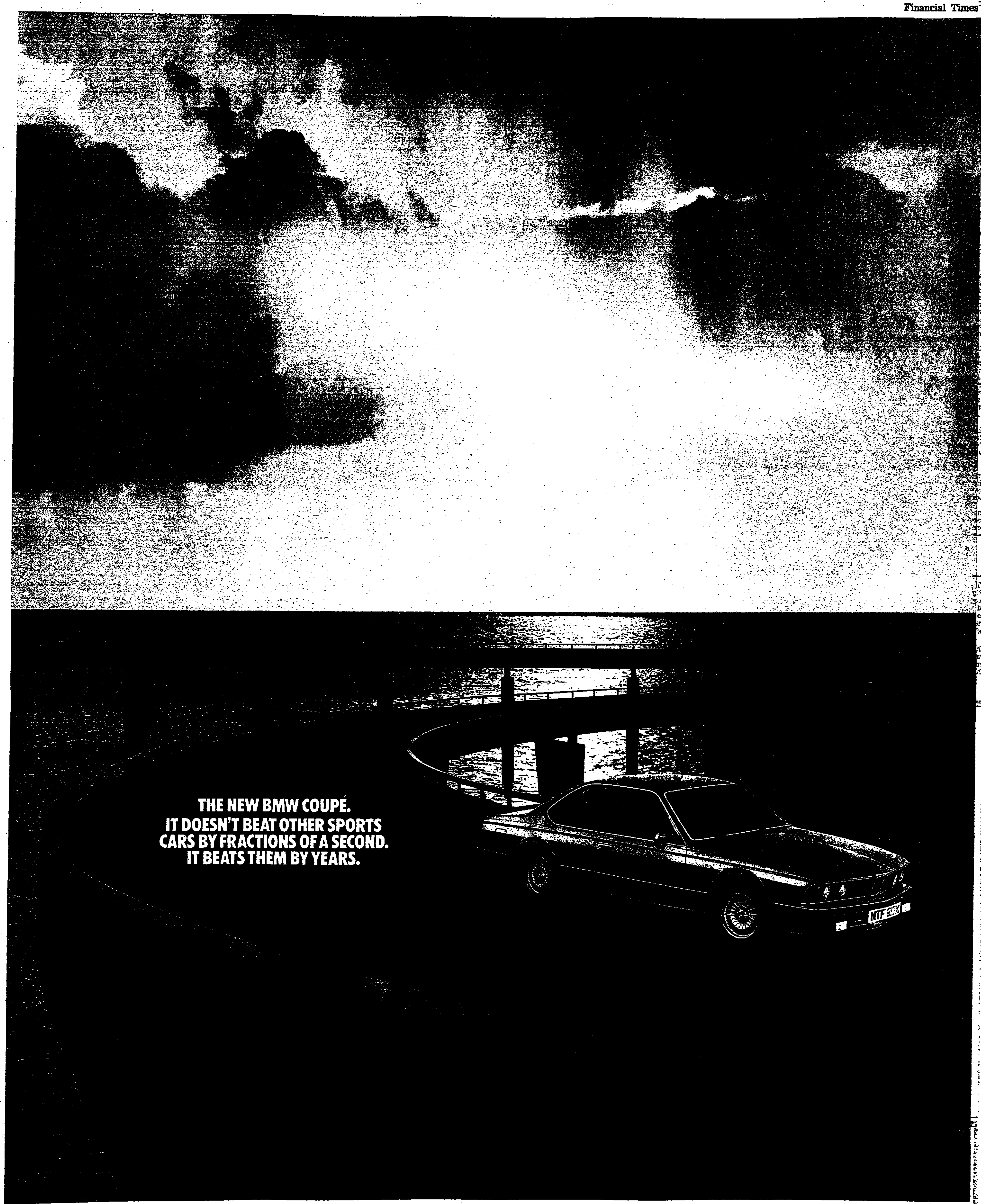
(d) For the purposes of these provisions, "car parts" means replacements for parts which are fitted to a car as standard equipment when sold new, excluding in-car entertainment and liquids.

(e) It is intended to provide in the order that the provisions indicated in (a)(i) and (ii), (c) and (d) above shall come into effect not less than 21 days after the order is laid before Parliament. It is intended to provide that the provisions indicated in (b) above shall come into effect not less than 90 days after the order is so laid and to provide that the requirement in (b) shall be complied with before the expiration of a further period of not less than 90 days beginning with the date when the provisions indicated in (b) come into effect.

(4) Any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing to Mr J. A. Cooke, Department of Trade, Room 459, Sanctuary Buildings, 16-20 Great Smith Street, London SW1P 3DB (stating his interest and the grounds on which he wishes to make the representations), before 14 July 1982.

11 June 1982

J. A. COOKE
an Assistant Secretary of
The Department of Trade

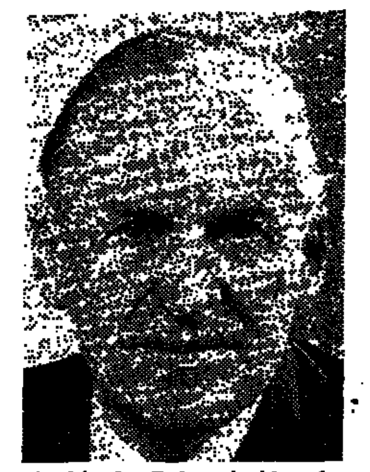

THE NEW BMW COUPÉ.
IT DOESN'T BEAT OTHER SPORTS
CARS BY FRACTIONS OF A SECOND.
IT BEATS THEM BY YEARS.

'Club rules'—an answer to nationalistic barriers

Arnold Kransdorff describes how a major UK group is tackling a personnel problem that can arise when dealing across frontiers

HAMISH ORR-EWING feels that multinational companies should be more like football teams; they should spend more time and energy on building up moral and a better team spirit. His purpose is to counter one of the most pervasive of management prophlems — dealing with a multitude of nationalities.

Orr-Ewing has found that many top managers behave obstructively when given instructions by someone of another nationality, especially if that instruction is unwelcome. Overriding this is also the complex problem of communications; colloquial language can often give rise to misinterpretation and offence when addressed to other national groups.



Hamish Orr-Ewing: looking for better team spirit

For a multinational this problem, by its very nature, is endemic. In his own company —Orr-Ewing is chairman of Rank Xerox—there are subsidiaries in 24 different countries as diverse as France, New Zealand and the Ivory Coast. And the company's U.S. parentage gives the problem an added dimension.

Explaining his footballing analogy, Orr-Ewing says he believes that to overcome the nationality difficulties, a multinational — like a good soccer team — needs the sort of well-defined "club rules" he has started trying to introduce into his own company.

These should give a clear lead as to how executives should deal with each other—and those who breach the rules should be left in no doubt of their colleagues' displeasure.

Orr-Ewing explains: "The higher manager in a multinational tends to be, in business terms, a stateless person. He is a citizen of his own country with the pride and outlook which is his birthright. Yet he is likely to receive instructions from another country, conveyed through the medium of a person of another nationality, while the ultimate power may emanate very plainly from yet another nationality."

This complex situation "bristles with mantraps," he believes. If a corporate manager is not careful national sensibilities can be very easily offended, especially when centralised decisions have adverse effects on domestic situations.

"A sense of identity and loyalty to other people is a universal instinct in all of us," says Orr-Ewing. "When we identify with a company we mean in reality that we identify with the people who compose it."

But Orr-Ewing believes that in multinationals there is inevitably a confusion of identity between country, local management teams, corporations and countries of final ownership.

Multinational managers, he says, have to try and reconcile the pull of local identity and loyalty with the receipt of guidance and instructions from people from wholly different backgrounds.

He believes that there is a very strong antipathy to the proselytisation by people of one country to another. "No corporation will ever succeed in competing for the loyalty and identity of an employee against the pull of his own community.

"There is always a desire for something to be loyal to, but too often only one's national unit offers itself as sufficiently tangible. The corporate name is not enough; there must be a cause with which one can align oneself."

Orr-Ewing estimates that during the six years he was managing director of Rank Xerox—from 1971 to 1977—a "significant number" of his operational directives were responded to "in a less than helpful way." This was because national sensibilities had in some way been aroused.

On the problem of communications he recalls the time when, recently, each of Rank Xerox's national subsidiaries submitted their annual company plan.

One of the "Germanic" companies was then instructed, in so many words: "We suggest you reconsider the plan you have submitted.

Orr-Ewing says: "What we meant—in a contemporary and Anglo-Saxon way—was that their plan was unsatisfactory and that they should reconsider it. However, their response was not to respond. They treated the instruction in a literal way. They did in fact reconsider the plan and decided that it was satisfactory.

"The lesson behind this is that one always has to take account of national style. Messages—whether verbal or written—have to be transmitted in a form in which they cannot be misunderstood."

Orr-Ewing agrees that having different national groups within a corporate body can—and does —provide a healthy atmosphere of competition but says it becomes destructive "when the positive pride of a national team is replaced by resentment of other national teams or of the corporate centre."

When this happens criticism between national groups moves from being positive to negative; "instead of being helpful, one national group will start describing another as 'no good' and resentment compounds itself."

All successful human ventures involving groups of people have depended on the individual having a feeling of identity and pride and membership of the group, Orr-Ewing points out.

Corporate ethics

"If multinationals are to develop the full strength of which human beings are capable, they must find a means whereby this pride and identity can be fully harnessed.

Orr-Ewing believes that multinationals have to build up what might be called a corporate ethic through an unwritten code of behaviour that transcends nationality, ethnic origin and religion. But to be effective this code must be strictly adhered to.

The rules must be accepted by all levels of management and command universal respect, he says. "Also, the breaking of the unwritten rules must be seen to put the culprit outside the protection of his local business colleagues."

So, what should this code of conduct contain? Orr-Ewing says the sort of thing he has recently been putting forward to his senior colleagues is:

- conceal nothing that could affect your business from anyone who reasonably needs to know in order to help solve a problem.
- never read the instructions from higher authority with a view to finding a loophole which would enable you to act to the letter while escaping the intention
- never write instructions which you know to be ambiguous
- never let your boss or your colleagues get caught by surprise by problems you know are impending
- orders to subordinates should always be yours, not passed on while you wash your hands of them
- don't avoid helping colleagues because it isn't part of your designated job
- honestly tell subordinates of your perception of his or her performance
- never makes rules to cover yourself in the private knowledge that they cannot be carried out without causing unreasonable problems to subordinates or indirect damage to the business
- never overlook knowing disobedience of a properly given instruction
- help a colleague who has made an error
- be tough but merciful: forgive the occasional well-intentioned error. Don't overlook deceit or deviousness
- acknowledge your own mistakes
- never stand in the way of a subordinate's career because of self interest
- use complete honesty in dealings with people and the company's affairs—in the spirit not merely to the letter.

Orr-Ewing admits this is "simple enough stuff," but declares: "Were we to adopt these standards more positively as our pattern in work, how readily we could identify with others in business who, regardless of nationality or job, shared the same convictions."

He stresses that the code should be confined to principles —not detail or legalisms. "It should not be unreasonably demanding or extend to matters which are nothing to do with business. The objective is to gain the commitment of real life business managers, not to set up a new moral order in the world or to interfere in people's private affairs.

"External standards are improved by truly high internal standards," Orr-Ewing concludes, "I contend that an efficient company that always acts open-handedly internally will do the same externally. In the longer term, and that is what matters, one will gain, not lose business."

When ethnic mix gives new perspective in boardrooms

AS MORE COMPANIES expand abroad they are finding it prudent to change the ethnic composition of their top management.

This is one of the major finding of a new survey* by the Conference Board, an independent, non profit-making research institution with offices in the U.S., Canada and Europe.

Among a sample of 85 U.S. and 44 European companies—all with a substantial volume of their business in foreign countries—the vast majority employed a local national at the head of most of their operations abroad.

In addition, 60 per cent of all the companies had either a foreign director on the main board, a foreign top executive or a foreign advisory board.

The foreign advisory board is a relatively new and rare boardroom innovation favoured by more European than U.S. companies. Usually a main board management committee, its functions include advising on local problems in specific overseas markets and helping to develop contacts with local government officials and potential customers.

But while more foreigners are being brought into top management, their role is not seen as having any direct business advantage.

According to the survey, most U.S. and European companies did not think that having a foreign board member, a foreigner in top management or a foreign advisory board actually helped them to do business in foreign countries.

Most companies thought that having a foreigner in a top management position gave an additional perspective. Most respondents thought the benefits provided by this additional point of view were a more significant consideration than any specific operational gains.

The study confirms the increased pace of foreign activity by both U.S. and European companies. Three-quarters of the U.S. companies expected to have substantial activity in at least one region outside their own country, while more than 90 per cent of the European companies predicted important activity outside their traditional stamping grounds within the next decade.

Main targets

Europe was named by fewer European companies than the Middle East, Latin America, Asia and the U.S. Latin America and Asia were the main U.S. targets.

However, while companies are employing more foreigners on their top management teams, few foreign directors come from the areas in which major growth was expected.

This was evident in both the U.S. and European companies, where British and other Western Europeans accounted for nearly two-thirds of the foreign directorships.

Among all the respondents, Europe was rated fourth, just ahead of the Middle East, as a potential growth area for the 1980s.

While the largest number of European companies named the U.S. as a major growth area, only a minority of foreign directorships were held by Americans. Similarly, Latin America was named by half the U.S. companies as a major growth area over the next decade, but there were few Latin Americans among the foreign directors.

According to the Conference Board, companies apparently value linguistic and/or cultural compatibility more than the possession of local perspective. In the U.S., companies tended to choose foreign directors from English-speaking countries —a factor which is probably explained by their (up to now) parochial outlook.

* *Managing the International Company: Building a Global Perspective, available from The Conference Board, 845 Third Avenue, New York, NY 10022. Price $30 for non-members and $10 for members.*

Arnold Kransdorff

Business courses

Effective Writing for Managers, London. July 14-16. Fee: £260. Details from Registrar, Effective Writing for Managers Workshop, London Business School, Sussex Place, Regent's Park, London NW1 4SA.

Strategic Planning in the Retailing Industry, London. July 15. Fee: £90 (plus VAT) members, £105 (plus VAT) non-members of the Society for Long Range Planning. Details from SLRP, 15 Belgrave Square, London SW1X 8PU.

Sponsorship—new media, new development, new projects, London. July 9. Fee: £130 (plus VAT), £120 (plus VAT) before June 18. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY.

Why Work? What Work? Uxbridge. July 10-11. Details from The Brunel Self Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH.

Leadership in Management, Bromley. July 18-23. Fee: £550. Details from Sundridge Park Management Centre, Bromley, Kent BR1 3TP.

Finance for the Non-Financial Executive, Slough. July 12-16. Fee: £345 (plus VAT). Details from Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berkshire SL1 3PF.

Changing Technology—a director's responsibility, London. July 6. Fee: £95 (plus VAT) members, £125 (plus VAT) non-members of the Institute of Directors. Details from Education Director, Institute of Directors, 116 Pall Mall, London SW1 5ED.

Quality Circles, London. July 1-2. Fee: £355 (plus VAT). Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

ARMS—a record management system, London. July 21. Fee: none. Details from Cocking and Drury, 16 Berkeley Street, London W1X 5AE.

Strategies for the Advanced Business System, London. July 8-9. Fee: £295 (plus VAT). Details from C/is Communications / Information Systems, Regal House, Lower Road, Chorleywood, Richmansworth, Hertfordshire WD3 5LQ.

Developing International Business, London. July 5-7. Fee: £825 (plus VAT). Details from Tack International, Tack House, Longmoore Street, London SW1V 1JJ.

The Management of Quality, Bradford. July 11-16. Fee: £380. Details from Management Development Programmes, University of Bradford, Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

The Director's Role in Effective Product / Marketing Strategy, London. July 8. Fee: £95 (plus VAT) members, £125 (plus VAT) non-members of the Institute of Directors. Details from Education Director, Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

Design Policy, London. July 20-23. Fee: £130. Details from Conference Organiser, Department of Design Research, Royal College of Art, Kensington Gore, London SW7 2EU.

Successful Negotiating, London. July 12-13, Amsterdam. July 15-16. Fee: £355 (plus VAT for London conference). Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

THE ARTS

Architecture

Colin Amery

Setting the Thames on fire

The mist hung low over the Thames last Wednesday as the heat-wave cooled and 250 delegates trooped into Glazier's Hall hard by London Bridge to discuss the future of Thameside London. The London Environment Group of the RIBA (Royal Institute of British Architects) had brought together the professions of urban design, town planning and landscape design, and a whole range of speakers, to discuss a brief for the future of the capital's greatest asset.

The banks of the Thames from Battersea to Beckton are the greatest development opportunity ever to arise in the history of London. The closure of the docks has made available for redevelopment eight square miles of the city. On the South Bank of the river within the central area alone three great sites, Hay's Wharf, Coin Street and Vauxhall Cross, will have an enormous impact on the very nature of the Thames.

The keynote speaker at the conference was the Secretary of State for the Environment, Mr Michael Heseltine. Discussing the changes brought to the river by the demands of modern shipping Mr Heseltine saw the new challenge as an approach to the Thames that would "bring the riverside back to life." Because the river is London's greatest natural asset he felt that it is vital that "any additions to its built environment do not let it down." He had two main themes: the need to bring the vast areas of vacant land back into use, and the need to ensure architectural quality.

Considering the first theme it is worth remembering the scale of the recent changes to the area. The East India Docks closed in 1967, St Katherine and the London Docks closed in 1969, the Surrey Docks closed in 1970, the West India and Millwall Docks closed in 1980, and in 1981 the Port of London Authority announced the final closure of the Royal Group of Docks.

To tackle the future of the area a Docklands joint committee was established in 1974 to prepare a plan for the whole area. Some sort of plan was prepared that signally failed to have any major effect. To resolve some of the endless local political in-fighting a Docklands Development Corporation, with development control powers, was set up in July, 1981.

The responsibilities of the Corporation are immense. It has control over 8 sq miles of land on both banks of the Thames. There are 14½ miles of river edge and 400 acres of enclosed water within the area.

The Thames is London's greatest redevelopment opportunity since the Great Fire. Will architects and planners seize the chance to build a new Venice or will bureaucracy defeat the vision?

The Corporation owns 640 acres of land including 154 acres of "prime sites" with Thames frontages.

The architectural responsibilities of the Corporation are mind-boggling. The Secretary of State said that he felt that as high a standard of design as possible must be the aim. No one would disagree with this but the conference revealed such major political divisions between the local authorities, the Greater London Council, and the central government that easy progress looks impossible.

In a remarkable piece of Ministerial understatement, Heseltine said that to obtain a balance between the need to stimulate development and the search for quality "will require a deft touch in processing planning applications."

This deft touch is simply not going to be enough and it was disappointing to hear the Minister say that "we cannot then have a detailed building brief for Thamesside as a whole." His limp-wristed approach to encourage a philosophy to ensure that development is of high quality will not be adequate.

There is no doubt that the proposed pump-priming urban-development grants (up to £70m is available) will encourage developers to look at areas like Dockland and could be the mainspring to an easier climate of public and private investment.

But it is worrying to all concerned with the visual qualities of our cities to hear that the grants will be available with no special architectural requirement attached to them.

There was a great deal of talk about the need for more architectural competitions and there is no doubt that these must be given a fair trial. It was, however, wrong of the Minister to suggest that the recent "Green Giant" site had produced a unique opportunity for the people of London. The developer made the final choice and has since refused to reveal what the public's views were when they visited the exhibition of short listed proposals.

Only inspired leaks have since shown that the public's choice was not the one liked by the developer. The pressure to pass the scheme through Parliament by means of a Special Development Order (normally used for nuclear power stations) without any more debate must be resisted. Members of Parliament, especially London MPs should insist on a full debate.

It was clear at this conference that the London Docklands Development Board, represented by Reginald Ward and Ted Hollamby, have little conception of the quite amazing opportunity that Dockland offers. It was almost scandalous to hear the view expressed that the appalling tower blocks of East London resemble the chords of an unfinished symphony by Sibelius. The lack of social awareness was totally baffling. In great contrast were the two speakers from Baltimore. Their effectiveness and enthusiasm was infectious, and although Baltimore was never as blighted as Dockland, its renaissance has been dazzling.

While the conference, with speakers from the GLC, the Docklands Board, and all the professional institutes concerned with the environment, exposed the scale of the problems it also revealed an almost total lack of vision. London is one of the world's greatest cities and it is faced with an unparalled opportunity for growth and regeneration. Mr Heseltine prefers competition to leadership, and the GLC appears to believe that the whole thing can be settled around the parish pump.

The need is urgent for a powerful group of individuals to present the people of London with some real social and aesthetic alternatives. Architecture now is in a healthy and exciting condition. There are at least half a dozen of the best architects in the world working in London and a tradition of concerned town planning.

The Thames is the area of opportunity that they have all been waiting for—it could be the scene of the nation's long delayed renaissance—a setting for the urban life of the 21st century, or will bureaucratic mediocrity destroy the vision before it is born?

Orpheus/Covent Garden

Clement Crisp

Kenneth MacMillan's *Orpheus* was given its first performance on Friay night as part of a triple bill of Stravinsky ballets marking the centenary of the composer's birth. *Orpheus* is a score of deliberately restrained sonority and form: "throughout major parts of this ballet Stravinsky thinks of his music in terms of speaking quality and as giving voice to the inflections of the figures and their story" wrote Ingolf Dahl in the invaluable *Stravinsky in the Theatre* symposium which was produced to mark the first performance of the ballet in 1948.

It is such austerity of means which marked Balanchien's original realisation, and it also controls MacMillan's language in this new staging, which alters the Stravinsky/Balanchine narrative only in suppressing the Bacchantes who kill Orpheus (his death comes at the stabbing points of the Furies) and in introducing a Dark Angel, who is also Pluto, to struggle for Orpheus' soul with the Angel of Light.

In retelling the myth MacMillan is affected by one other consideration: the playing of Orpheus by Peter Schaufuss, one of the most astounding virtuoso dancers of our time in sheer prodigality of technical skills, and also an artist of refined expressive gifts. Hence the dancing for Orpheus and Eurydice (Jennifer Penney, so classically clear in style) stresses linear purity that, like the music, seeks control rather than emotional extravagance, albeit Orpheus' initial solo, when he has watched Eurydice sink into Hades, explodes into a whirlwind of steps that marvellously convey his desolation and anguish.

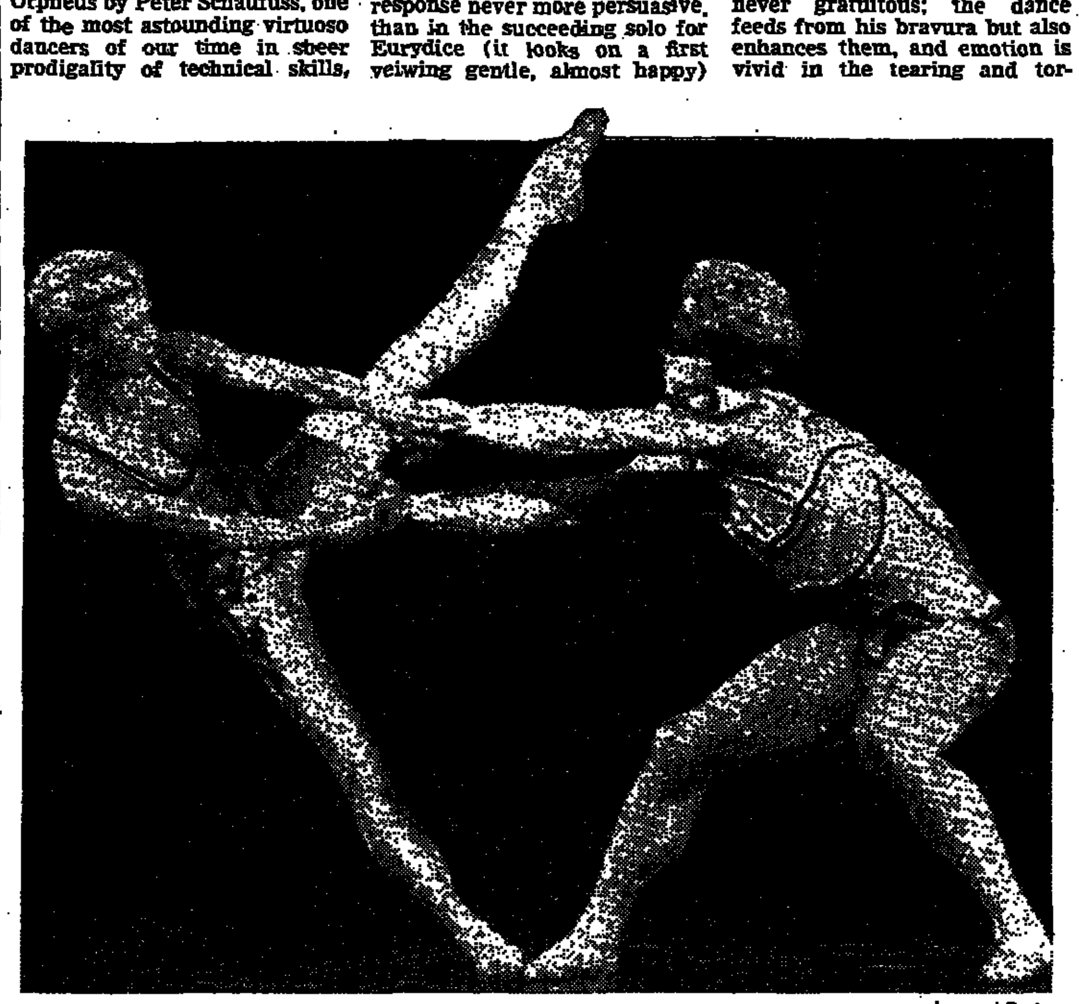
For the two Angels who struggle for Orpheus' soul, in the first scene, MacMillan has made dances of extreme sculptural convolution as they lock in combat, and suddenly—in a stunning theatrical coup—we see Orpheus and the Dark Angel (Wayne Eagling) skied high on a golden ladder which leads, in Nicholas Georgiadis' admirable design, like a shaft down into the underworld. On either side are two further constructions of gold ladders on which the Furies perch, watching the grey mass of the lost souls whose bodies become the waters of the styx on which the body of Eurydice will float.

The music's restraint is never more potent, and MacMillan's response never more persuasive, than in the succeeding solo for Eurydice (it looks on a first veiwing gentle, almost happy) and in her duet with the blindfolded Orpheus, its economy of expression quite as subtle as that of the music, with an understated but heart-rending conclusion as Eurydice is borne away, her body twitching convulsively in renewed death throes. Led by the Dark Angel, the Furies (like horrific insects in their glittering red headdresses) turn on Orpheus, and the final scene becomes an apotheosis marked by another powerful image. Apollo (Derek Deane) enters, gold masked and haloed, not a conventional presentations of a classic deity, but a science-fiction being, walking with a robotic glide, totally inhuman. As he raises Orpheus' lyre towards the heavens, the lovers are seen rising in a gold-mesh "gloire," their immortality, like Orpheus' song, assured.

Nicholas Georgiadis' designs are entirely in tune with the controlled effects of score and choreography: the vision of golden skeletal forms against black, cut through by the angry red of the Dark Angel and the Furies, is poetic, apt. In the role of Orpheus MacMillan's use of Peter Schaufuss' virtuosity is never gratuitous; the dance feeds from his bravura but also enhances them, and emotion is vivid in the tearing and tormented leaps he performs as in the sustaining dignity of his style.

Jennifer Penney is at her most fluent as Eurydice; Wayne Eagling's aggressive menace as the Dark Angel, the gentler strength of Ashley Page as the Angel of Light and the ferocity of the Furies, are very fine.

Orpheus was framed by two Stravinsky scores in their first choreographic settings. *The Firebird* after 70 years is a period piece which can convince when its interpretations are as well rounded as those of David Wall as Ivan, and Derek Rencher as Kastchey. *Les Noces* was given with an immaculate timing that is tribute to the intelligence and rhythmic precision of the Royal Ballet.



Leonard Burt

Jennifer Penney and Peter Schaufuss

Dame Marie Rambert

Dame Marie Rambert, whose death at the age of 94 was announced at the weekend, was one of the most influential figures in the history of British ballet. Born in Warsaw in 1888, she was also "born to movement" as she recalled in her autobiography *Quicksilver*, and found her first great inspiration in the work of Isadora Duncan. In 1910 she entered the Dalcroze School as a student, and in time became a teacher there: it was her skill in musical analysis through movement which brought the crucial invitation from Diaghilev in 1912 to help Nijinsky in his work on the then forbidding score of *Le Sacre du Printemps*.

Rambert was to be a member of the Diaghilev company for the next two seasons, but in 1914 she settled in London, and four years later married the writer Ashley Dukes. In 1920 she opened a dance-school and thereafter revealed that gift which was to be so vital in the making of English ballet—her ability to sense talent, to nurture it, to stimulate it into creative life, and to afford it a means of expression.

Her first great discovery was the young Frederick Ashton: on the pocket-handkerchief stage (18 ft square) of her husband's Mercury Theatre in Notting Hill Gate there emerged in the 1930s a succession of dancers, ballets, choreographers, that are amazing testimony to Marie Rambert's imaginative power and taste. Antony Tudor, Andrée Howard, Walter Gore, Frank Staff, with Ashton, made their earliest ballets there; Karsavina and Markova appeared there.

There were many artists who developed with the Rambert company.

In 1966 Norman Morrice, Rambert's latest's choreographer, guided the company in changing its image back to that of the adventurous ensemble of its first years, and Dame Marie watched this new incarnation of her troupe with appreciative gratitude. Her zest for dancing, her delight in performance were unfailing; when, last year, Richard Alston staged his own version of *Le Sacre du Printemps* for Ballet Rambert, Dame Marie took a stage call with him, providing thereby an unforgettable link with the first performance of a work on which she had collaborated in 1913.

It was said of her that she showed us that Notting Hill Gate was on the slopes of Parnassus, and she laughed when I once called her Mercuria, the Tenth Muse, but British ballet knows that she was its first muse, and in its formative years an inspiring guide and decisive mentor.

CC

Captain Brassbound's Conversion/Theatre Royal, Haymarket

Rosalind Carne

Shaw's women are rightly deemed to stand among the most challenging female roles in the English theatre repertory. This play was written for Ellen Terry and inspired by Mary Kingsley, one of several intrepid and mildly eccentric lady travellers of the time. Its heroine, Lady Cicely Waynflete, is certainly a formidable creature, cajoling, bullying, and finally dominating every male on stage. But she only does so through the absence of any equally formidable protagonist; Captain Brassbound, as he himself explains, is basically *stupid*.

Moreover, the Moroccan location, with its peculiarly late-19th century European perspective on the locals, makes it, for all the humour, a difficult choice for revival.

Frank Hauser's production for this theatre's current repertory season does little to rescue the piece from the dramatic and intellectual doldrums.

A few interesting points emerge about the law, and they are sharpened by the evening's outstanding performance from Michael Denison. Sir Howard Hallam is a bulwark of the British legal system whose murky past emerges through an unforeseen adventure during travels with his sister-in-law, Lady Cicely. Mr Denison betrays exactly the right amount of snobbery and tight-lipped self-control in the early scenes to make his fury at exposure fiercely convincing.

Penelope Keith is less successful and, as the drama revolves around her, every confrontation suffers. She is mannered, she is managerial, she is bossy, but she performs as if for herself alone; there is no strand of communication between her and anyone else on stage. This may be a hazard of the part, for in her final scene with Captain Brassbound (John Turner) she explains that she could never "manage people" if she were to fall in love.

Brassbound himself is as dull a figure as his name suggests and he receives stolid, wooden treatment from Mr Turner. Only through his "conversion" does he becomes remotely human. At this point he recognises that his pirate ways are no better than the legal tyranny of his uncle, Sir Howard, and at last the unfortunate actor has the opportunity to hint at a glimmer of soul.

The stage seems to be perpetually crowded with tribesmen, bandits and assorted odds and ends and the play works best in the underpopulated episodes. Charles Rea is a powerful figure as the American Captain Kearney.

Our Friends in the North/The Pit

Michael Coveney

Peter Flannery's playwriting debut with *Savage Amusement* in 1978 was one of the Warehouse's best premieres. Now the Warehouse has been transposed to The Pit, the Royal Shakespeare Company's studio appendage in the Barbican Centre. This is a large square room with reasonably comfortable bench seating. Like Mr Flannery's new play, alas, it has nothing distinctive about it.

Our friends in the north are a group of Geordies seen down the 15 years between the election of Harold Wilson as Prime Minister in 1964 and the impending arrival of Mrs Thatcher in 1979. Too much and too little is attempted in the piece which I can only describe as the result of Mr Flannery having seen too many plays by Howard Barker.

We have the boom in the building industry, police corruption, connivance in Westminster, cartoon low life in Soho and a parallel, attenuated sketch of the rise of rebel power in Rhodesia following the economic sanctions of 1965 and the declaration of UDI. It all wheels along at a fast pace in John Caird's production. But the end result lacks either narrative or intellectual density.

The stage is bare except for five elegant steel tubes (design by Ultz) that rise from the floor to form a canopy over the action. A resourceful cast jump in and out and out of police uniforms, mercenary battle-dress, suits and flat caps, and bouncer's evening dress. Links are forged between inadequate housing up north and the scandal of Ronan Point. Some of this holds together for the first act, which covers only the first two years of the history. Thereafter, the play disintegrates alarmingly into quick scenes of fraud squad blood-letting, Soho murders and fleeting references to Operation Countryman, Belfast, street violence and bombs in restaurants.

This kind of play is really very old hat and was best done some ten years ago by David Hare and Howard Brenton with *Brassneck* at the Nottingham Playhouse. Can we really be very excited any more by pre-Wilson socialist euphoria or its subsequent collapse?

Pittsburgh Symphony Orchestra

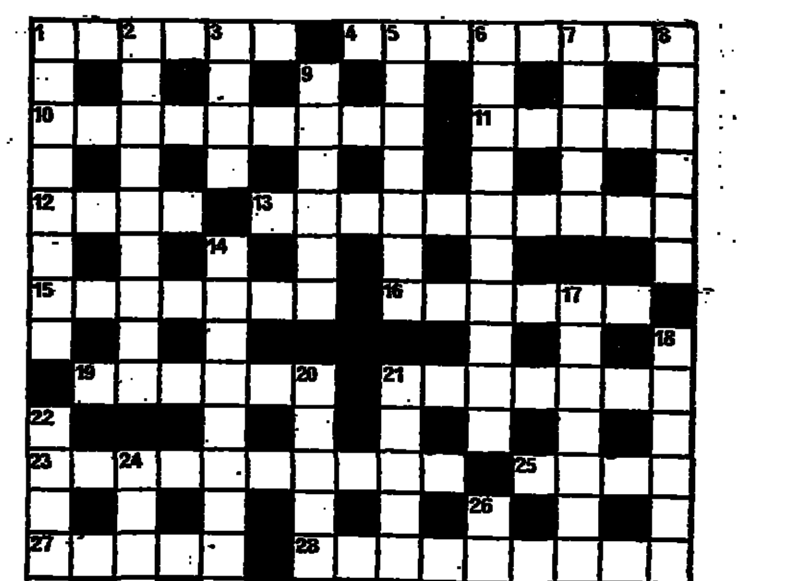
At Friday's concert, first of two in London this weekend, the Pittsburgh visitors filled the Festival Hall, with a large, appreciative audience and with sounds of impressive discipline, balance, and corporate vitality. Under André Previn, general standards are high. Generalising perhaps unwisely, I would say that the Pittsburgh orchestra now exceeds the Los Angeles (at least as measured on its last London visit) equally in point of the excellence of sections and in their careful ensemble blending; and only the frisson afforded by the greatest American orchestras—by the depth and lustre of the Philadelphian strings, or by the high-tech brilliance of the Chicago full sonority—still lies a little beyond its capacities.

There were a host of individual pleasures to note—in the Chaikovsky Violin Concerto a garland of purely taken flute and oboe solos, in the Mahler Tenth Symphony Adagio a viola section both muscular and formidably accurate, and in the closing *La Mer* a quartet of horns regularly distinguishing itself, pithy without being in the least over-assertive. The accompaniment to Kyung-Wha Chung's account of the concerto was light and forward in Previn's best manner; if I enjoyed the performance rather less than I hoped to, that might be because Miss Chung's unremitting passionate intensity releases rather less of the residual musical freshness than the opposite, more patrician approach can achieve, and also because the intonation of the solo violin was by no means always beyond reproach.

In the Mahler and Debussy works after the interval, the failure to collate enjoyable moments into coherent musical statements was of a different order, and seemed to rest directly with the conductor himself. Hard, in fact, to imagine a Mahler performance at once more precisely sounded and less idiomatically Mahlerian—whether in the sudden bursts of F sharp major or the high violin trilling, now radiant, now anguished, the lack of any "inner" feeling to the playing made for a disconcertingly trivial experience. The Debussy, no less secure note for note, was wooden of rhythm; climaxes were apt to arrive, several degrees too loud, without dramatic grading or preparation; in the "big tune" of the "Dialogue," a burst of string refulgence opened visions of Technicolour picteresqueness. Previn attended punctiliously to the "how" of the music; its "why" hardly began to be suggested.

MAX LOPPERT

F.T. CROSSWORD PUZZLE No. 4,896



ACROSS

1 The faux pas of good sports (6)
4 Midnight hour reveals desire among a section (8)
10 Getting better like the seamstress (2, 3, 4)
11 Charlotte finds it sweet (5)
12 Wherein one finds a 30 indeed (4)
13 Bumpkins have a bite in a trysting place (6, 4)
15 Once more we turn to an artist for a drop of water (7)
16 Looks at the weight aboard (6)
19 The streaker is without it—the good man takes it to church (6)
21 Work finds you before the fast in the money (7)
23 With which the ancients measured speeches in court (5, 5)
25 Look out in case the last of them is to be seen (4)
27 They all play when Pharaoh gets it back (5)
28 What the successful competitor must have (4, 2, 3)
29 Sly Idaho could give us times of recreation (8)
30 "For loan oft loses both itself and —" (Hamlet) (9)

DOWN

1 A tanning for the poet (8)
2 Loose chatter in an awkward situation (2, 3, 4)
3 The Tower makes us look up (4)
5 Composes a letter in the Caribbean isles (7)
6 "And tell you every detail of ——'s uniform" (Pirates) (10)
7 Is the girl to have children? (5)
8 Only the pre-eminent make the finals (6)
9 One of three sisters not really amused (6)
14 Get teacher to care for a TV programme (10)
17 Rivers of the unknown?, (3, 3, 3)
18 Tense, unlike the quality of mercy (8)
20 Children shy from a compromise position (7)
21 Commanding officer starts the craze for the supernatural (6)
22 Humour in school may get you the birch (6)
24 After a drink nearly everything is complete (5)
26 Mona leaves Macedonian city for prison (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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Monday June 14 1982

French cure for inflation

TO SCEPTICAL British eyes little remains of the European Monetary System which got under way in March 1979. It was founded as a largely Franco-German initiative to promote sound and stable currencies in Europe in the face of a weak U.S. dollar. The UK did not participate because it feared that sterling was too weak a currency to face the rigours of the new system.

Now we have had four exchange rate alignments within the EMS in the last 18 months. The German and the French currencies have inexorably diverged as the difference between the inflation rates of the two countries has asserted itself and as their two governments have pursued contradictory economic policies.

On the face of it, the hopes that the EMS would focus European economic policies on a common goal of creating non-inflationary currencies have exaporated, and what is left looks increasingly like a kind of "crawling peg" system designed to curb short-term volatility in European exchange rates but not their underlying movements.

Distinctive

Paradoxically, however, this weekend's EMS realignment is not being viewed in this negative way in Brussels or in Bonn —or even, probably, in the French finance ministry. European and West German officials are relieved that after months of build-up in the press and currency markets the changes of parities went through smoothly and without the haggling that accompanied the last French devaluation in October 1981.

They are relieved that France did not quit the EMS in the belief that its approach to economic policy was so distitnctive that further membership of the system was fruitless. They are relieved that France did not seek to defend the franc by erecting more of the outworks of a siege economy—still tougher exchange controls or further moves towards the protectionism which some critics fear is already implicit in the country's current economic strategy.

Above all they are satisfied because, even as it devalued the franc, the French Government accorded a much greater priority to the containment of inflation than it had hitherto. It revealed an austerity package aimed at reducing French inflation quickly towards 10 per cent from its present rate of 14 per cent. This included a four-month freeze on prices, wages and dividends and a new commitment to budgetary restraint. The Government has re-affirmed that it will limit its budget deficit to 3 per cent of GNP. It plans sharp cuts in current expenditure to make sure that investment in the modernisation of France's newly nationalised industries is not painfully curtailed.

Pressure

The French package is backed up by less specific undertakings from the Belgian and the Italian governments that they, as weak currency members of the EMS, will take additional measures of budgetary self-discipline to help contain their own inflation rates.

While the West Germans see the other EMS currencies—with the exception of the Dutch guilder—dropping away from the D-Mark once again, they do not, this time, seem as worried about the threat of "competitive devaluation" as they were in February when the Belgian franc and Danish krone devalued against them. This weekend's shifts have, they feel, shown the EMS asserting some pressure on EMS members to converge in their anti-inflationary policies.

An added bonus for the West Germans is that the re-alignment will enable the Bundesbank to decouple its interest rate levels a little more from those prevailing in the U.S. The weakness of other EMS currencies and the need for Bundesbank intervention have, in recent weeks, dragged the D-Mark down somewhat against the U.S. dollar.

It would be hard to prove that the constraints of the EMS have had more impact on French economic thinking than would the sort of free fall of a floating currency which forced economic self-discipline upon the UK in 1976. Nevertheless it does seem that the need to devalue the franc in this very public manner, and the French desire to remain part of the EMS, caused the Mitterrand administration to re-order its priorities.

Problem

It is true to that Government's dirigiste principles that it has selected direct controls to try to get a grip of France's inflation problem. The British experience with wage, price and dividend controls has not been a happy one. Already we are sceptical that government direction will stand France's advanced economy in good stead in the long term: such a clamp down on the price and profit mechanisms can only reinforce those doubts.

A suitable case for Gatt

THE AMERICAN steelmakers and the U.S. Administration say that the countervailing duties provisionally imposed last week on subsidised steel from Europe and elsewhere are fully in line with the rules of Gatt, the General Agreement on Tariffs and Trade. The European Commission does not accept this and there is talk of retaliation. The legal argument concerns the interpretation of the code on subsidies and countervailing duties which formed part of the Tokyo round of trade negotiations and which was reflected in the U.S. Trade Agreements Act of 1979.

Definition

Since this is a relatively new element in the world's trading system (although it built on earlier agreements), there is uncertainty about what sorts of subsidy are covered and how their impact on exports should be assessed. In these circumstances there is a strong case for referring the dispute to Gatt itself for resolution. This would be greatly preferable both to an escalating trade war and to a compromise bilateral agreement which would continue the well-established and disturbing trend away from multilateral trading rules.

The code recognises that governments sometimes use subsidies to promote their social or economic objectives and that they may have harmful effects on trade. In addition to bringing more transparency into the practice of granting subsidies, the code sets out detailed procedures for countervailing duty investigations. The subsidised imports have to be shown to be responsible for causing injury to the domestic industry which lodged the complaint; the code gives a precise definition of material injury and casualty. It also provides for consultation between the countries concerned; if agreement is not reached, the dispute may be referred to a committee of Gatt signatories which is established under the code.

In the steel case there is room for argument about the connection between subsidies to European steel (which are ostensibly designed to help the process of restructuring the industry) and the level of European steel exports to the U.S. It is also open to doubt whether the American industry has been seriously injured by these imports. The duties imposed last week were provisional; later in the year the U.S. International Trade Commission will make a final determination about material injury.

The Europeans suspect that the U.S. industry's objective is not so much to apply the Gatt rules as to secure, by one means or another, a permanent and significant cut in the share of imports in the domestic U.S. market. Before last Friday's ruling, last-minute efforts were being made to agree on a system of voluntary export restraints, but the Europeans refused to go as far as the U.S. wanted either on the product coverage of any restraint agreement or on the quantities involved.

The central weakness of the American steel industry, as it is in Europe, is high costs and low productivity. The process of closing obsolete plant and modernising production methods is far from complete. It may be that, even after modernisation, American costs will still be too high to prevent—without protectionist measures—a continuing increase in steel imports.

Temptation

As long as European subsidies continue, the Americans will have a powerful weapon in their campaign against imports; this is one reason for phasing the subsidies out as quickly as possible. Moreover, at a time when steelmakers throughout the world are operating far below capacity, the temptation to dump steel in export markets is very strong. What matters is that unfair subsidisation and dumping should be dealt with under internationally agreed rules. If there is doubt about how the rules should be interpreted, machinery is available to resolve it. Recourse to Gatt is the right option.

AEG-TELEFUNKEN

The last chance rescue

By Kevin Done in Frankfurt

IS AEG-Telefunken, West Germany's biggest post-war industrial casualty, in its final death throes or can the board's latest bundle of surgical measures finally deliver it from the intensive care unit?

Two-and-a-half years ago AEG's banks, helped by an unprecedented "one-off solidarity action" from insurance groups and leading West German industrial concerns, poured around DM 1.4bn (£328m) into the company in new equity and soft, unsecured loans. The rescue was supposed to show that in adversity West German private enterprise was in a position to support its sicklier members and nurse them back to health without having to fall back on the ultimate emergency ward, the state.

The attempt has failed. Last year the banks had to write off DM 240m of credits to AEG just to help the company balance a further year's enormous losses. Today the AEG begging bowl is officially out again, this time seeking contributions not only from the banks and the private sector, but also from the workforce and above all from the state, both the central government and the provincial states.

The group has for many years suffered from a chronic shortage of equity capital, forcing it to be fatally dependent on debt financing which has given rise to enormous interest charges. (Cash-rich Siemens by contrast has impressive interest earnings). Dividends paid from the late 1960s to 1972 were never earned —the last dividend was paid in 1973.

In the 1970s it lost large sums in its involvement in the nuclear power industry, eventually having to sell out its share in Kraftwerk Union to its partner Siemens at a major loss. A string of acquisitions in household appliances were never properly consolidated, while in consumer electronics AEG has lacked the volume to compete effectively in world markets.

The first in line to be called on for further sacrifices are the banks—AEG's 24-member banking consortium led by Dresdner Bank. The bankers meet today at Dresdner Bank's Frankfurt headquarters for the latest in an interminable series of crisis sittings.

Over the last two weeks the bankers have been informed first by letter and then in two preparatory meetings about the bundle of conjuring tricks dreamt up by Heinz Dürr, AEG's chief executive since early 1980, and by Hans Friderichs, the former Federal Finance Minister and now chairman of Dresdner Bank and chairman of the AEG supervisory board to save the company again from bankruptcy.

The rescue measures go under the slogan "AEG-83," ironically the year the company is planning to celebrate its centenary. Whatever the success of the new corporate strategy, it is clear the AEG that enters 1983 will be a very different entity from the company which formally exists today.

Heinz Durr (left), AEG's chief executive, and Hans Friderichs, chairman of Dresdner Bank—an alarming tightrope walk if they are to succeed in pushing through their new survival strategy

Dürr and Friderichs are finally taking the axe to the ailing electricals giant, which with worldwide sales last year of DM 15.4bn and a workforce of 123,700 at the end of December, ranks fifteenth among West Germany's biggest enterprises. With a sprawling, unwieldy organisation, AEG has nearly 90 different locations in the Federal Republic alone for manufacturing, research and sales, 80,000 customers and activities abroad in 154 countries.

The centre-piece of "AEG-83" is the plan to split the existing company into three parts, a holding company and two major operating companies, AEG-Technik and AEG-Konsum.

AEG's consumer electronics interests, represented by its Hanover-based Telefunken subsidiary, no longer play any role in the corporate game plan. The losses of this subsidiary alone have been sufficient to threaten the existence of the whole company and the AEG executive board is determined to dispose of the problem, preferably by giving up a majority holding to outside interests.

The core of AEG's traditional activities in electrical engineering would be represented by AEG-Technik, a company that according to the corporate plan would have sales next year of DM 11.2bn and a workforce of around 80,500. This company, which would take in all AEG's interests in industrial systems, would still have several vulnerable points, but overall it is expected to record a small profit this year, and next year the plan forecasts a pre-tax surplus of DM 300-400m.

The success of this venture hinges on attracting a powerful industrial partner as well as on pushing through an array of financial measures that would once and for all free the operating activities of the burdens of past blunders, a legacy that has brought AEG to the very brink of financial collapse, whatever the undoubted merits of some of its individual products.

The fairy godmother — management's version—or the carpet-bagger — the workers' version—waiting in the wings to take a stake of 40 per cent in AEG-Technik is Lord Weinstock's cash-rich General Electric Company (GEC) of the UK.

In months of talks Durr has become a great admirer of Weinstock's decentralised management philosophy and he plans to split AEG-Technik itself into seven separate operating units covering the major areas of activity.

GEC is undoubtedly the front-runner as the new industrial partner, but should this bid stumble, United Technologies of the U.S. and West Germany's Mannesmann have been mentioned as possible replacements.

Provided that the whole jigsaw planned by Dürr and Friderichs finally falls into place it is understood that Lord Weinstock has already agreed to buy a 40 per cent share of the planned nominal starting capital of AEG-Technik of DM 750m. The actual purchase price would be somewhat higher than the nominal sum of DM 300m. In addition GEC would make an interest-free "subordinated loan" of DM 450m, which would have a similar character to equity capital.

Apart from GEC, Dürr and Friderichs are also hoping to persuade the insurance companies and industrial groups that supported the last rescue act at the end of 1979 to take 10 per cent in AEG-Technik.

Instead of providing new money—a further injection of equity capital had been rumoured at one time—the banks are to be asked to forego interest payments on existing credits of DM 1.75bn for five years, an interest loss for the banks and a corresponding gain for the company of as much as DM 400m. For a further five years the credits would pay interest of only 2.5 per cent.

In addition, following the writing off of loans worth DM 240m last year, the banks are being asked to write off a further DM 260m in 1982 to help balance AEG losses expected this year of more than DM 450m.

The banking consortium, which after pumping in DM 930m in new equity capital at the end of 1979 was left holding 50 per cent of the AEG stock, has 23 West German and one Swiss member.

At their meeting today they can stall for time—taking the plans back for in-house discussion—but eventually they appear to have little choice but to go along with the concept of "AEG-83," clearly insisting on the one major pre-condition that all other parties involved also agree to make their respective sacrifices.

The other key to AEG's survival must be found in Bonn and in the capital cities of the various provincial states, which have the mixed blessing of playing host to AEG manufacturing operations. AEG is seeking federal state guarantees of at least DM 1bn to cover new credits needed to carry through the drastic corporate restructuring.

From the various provincial governments AEG is seeking aid totalling around DM 400m, not only in the form of state guarantees, but also in the form of equity participation particularly in AEG-Konsum. This company, which might have a nominal starting capital of DM 400m, will group together all AEG's existing household appliance or white goods interests.

The household appliances division has been one of the group's chronic loss-makers, with a deficit last year of around DM 100m. But the company believes that it can be pulled round although it could take a couple of years to get it back into the black.

A drastic restructuring has already been started to cut back the number of manufacturing locations — currently spread across 12 different towns throughout the country — and the closure of one plant in Tübingen and total job losses of up to 1,600 in this division have already been announced in recent days.

In consumer electronics or brown goods — televisions, video recorders, radios, stereos —by contrast, AEG has accepted that it must throw in the towel. Its volumes of production are simply too small to allow it to compete with the giants of the industry from Japan, Europe or the U.S.

For many months it has been negotiating the disposal of Telefunken to Thomson-Brandt, but negotiations with the French group were suddenly broken off late last month. AEG is now hopefully looking for a "national German solution," and preliminary talks have begun with Grundig, the privately owned German consumer electronics group, in which Philips of Holland holds a stake of nearly 25 per cent, and which ranks as number two in Europe.

The strategy behind "AEG-83" would equip the operating companies with interest-free starting finance of around DM 3bn, that would have the character of equity capital.

Equally important, the operating companies would be freed of AEG's other perennial problem, the funding of pensions claims. Under-funding of pensions rights amounts to around DM 2 bn, and help to carry this weight will be sought from West German industry's co-operative pension fund.

Dürr and Friderichs face an alarming tight-rope walk if they are to succeed in pushing through their new survival strategy, and opposition is already forming. Leaders of the workforce have rejected the plan, expressing fears last week that the involvement of GEC and Lord Weinstock's management techniques would lead inevitably to further massive job losses. The workforce has already shrunk from 163,000 in 1978 to just over 123,000 by the end of last year.

THE SHAPE OF AEG-83?

AEG HOLDING:—Shares held 50 per cent by the banks, 50 per cent widely spread. Minimal functions, small staff, three-man board consisting of chairman of AEG-Technik, chairman of AEG-Konsum, and a finance director. Will take over responsibility for claims of 27,000 existing AEG pensioners. Will also hold probably a minority stake in Telefunken, the group's present brown goods subsidiary —televisions, stereos, radios and video recorders.

AEG-TECHNIK:—Shares held 40 per cent by GEC (or some other partner), 10 per cent by consortium of West German insurance and industrial groups, 50 per cent AEG Holding. Forecast for 1983: turnover, DM 11.2bn; pre-tax profit, DM 300-400m; workforce 80,500.

Major product areas: power distribution, railway and road traffic systems, defence systems, telecommunications, information systems (Olympia office information equipment), industrial plant systems, standard products (components and cables).

AEG-KONSUM:—Shares held at least 50 per cent by AEG Holding, with rest held by various state governments, in particular the State of Bavaria.

Forecast for 1983: turnover DM 3.3bn, workforce 19,500, losses probable in at least first year of operation. Major product areas: white goods—cookers, fridges, freezers, washing machines, dishwashers, built-in kitchens. Market leader in Federal Republic ahead of Bosch/Siemens, Miele and Bauknecht.

Men & Matters

Barbican blues

My man in the theatre, who cheerfully admits to a chronically underdeveloped sense of direction, has been having trouble in the Barbican Centre, where the Royal Shakespeare Company opened last week.

Sitting through seven hours of Shakespeare's *Henry IV Parts 1 and 2* proved less of an endurance test than finding a lavatory, obtaining a cold lager, or even buying a box of matches. Stories had been received of half the cast being stuck in a lift for 20 minutes in full medieval battle-dress during the previews.

The lifts are indeed fraught with danger. Some of them visit only half of the eight floors. My reporter, who frequently braves the wilds of Glasgow, Oldham, Leatherhead and the National Theatre, entered the building on Level 7 last Wednesday night.

The bar on Level 3 was shut, that on Level 5 had no matches. The studio theatre, The Pit, he was told, was on Level 2. Descending by mistake to Level 1, he found The Pit. He is still unable to report on what happens on Level 2.

After the opening of *Henry IV*, my critic took a taxi back to to St Paul's?" he hollered to The next night, taking a deep breath after the studio theatre opening, he relied on his feet. Illuminated stairwells of Barbican apartment blocks loomed on all sides. Distant voices echoed in the dark. "Which is the way to St Paul's?' he hollered to cultured matchstick-revellers on other concrete planes. Answer came there none. Copy deadline was the only reality that approached.

Then: out of the gloaming drifted a girl on roller skates, her spikey blonde hair topped with the regulation Walkman. Did she live here or was she lost too?. Was a critic to be saved or even mugged? She stopped and issued lucid instructions. This was music more welcome than the palm court trio regaling Barbican Centre customers from some undiscovered bourne of orange carpets, perhaps on Level 2.

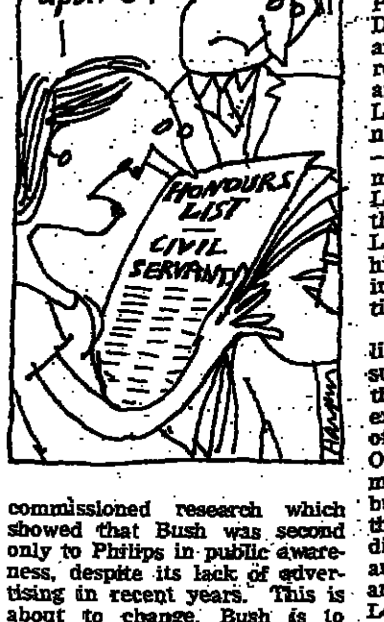
Flowering bush

"What's in a name?" Well, around £1.5m actually, plus extras. That is if the name is Bush and you are a young electronics company worried by the increasing preference among consumers for established brand names. Interstate Electronics, run by Mark Futter, 27, and Richard Schlagman, 28, was doing quite well out of designing radios, cassette recorders, clock radios and the like, and getting them made in the Far East, but it was hardly in the Philips, Thorn, Pye league.

When Rank decided to get out of the business last year and sell off Bush, Futter and Schlagman were less interested in the factory and work force than in the name, and, in a rare auction, their bid—no one argues with £1.5m—'was accepted against much opposition.

The whole affair set something of a precedent. Futter and Schlagman could find no one in the City to advise them on the value of a brand name and they concocted their bid by working out how much the Bush name would be worth to their range. Their calculations seem to have been on target. In a tough market for electrical goods they have pushed up sales by 62 per cent and are now welcomed by leading multiples such as Boots, Currys and Littlewoods. Turnover this year should top £6m.

Futter and Schlagman, or rather Bush, have been able to add more lines and distributors through the confidence inspired by a brand name which is 50 years old this year. They are amazed that more companies do not exploit these fallow assets. Before putting in their bid they commissioned research which showed that Bush was second only to Philips in public awareness, despite its lack of advertising in recent years. This is about to change. Bush is to flower again publicly.



Scot to Scot

Ian Denholm, who will succeed Lord Inchcape next June as chairman of P & O, Britain's largest shipping company, is a man of impeccable Scottish and shipping credentials. Described by his colleagues as a "quiet, but very firm, man," he is a past president of the Chamber of Shipping (now the General Council of British Shipping), and has been associated with P & O in a non-executive capacity, first as director since 1974, and for the past two years, as deputy chairman.

He joined the Glasgow-based Denholm family group of companies in 1950, after four years in the Merchant Navy, becoming chairman of Denholm Ship Management in 1972. The "very private" Denholm companies specialise in the management of other people's ships, where it has the reputation of being large and highly efficient.

The announcement at the P & O AGM last week that Ian Denholm, 55, will be chairman and chief executive of P & O—reverting to the P & O style of an executive chairman before Lord Inchcape switched to the non-executive mantle last year —means that Denholm will almost certainly have to make London his first base, sacrificing the pleasures of his home in Lochwinnoch, Renfrewshire, and his hobbies of sailing and fishing, at least for some of the time.

City speculation has been gelling around Denholm as the successor to Lord Inchcape for the past few months. He is expected to continue the policy of a firm shipping bias at P & O, supported in the management of the shipping and other business interests of P & O by the three new managing director appointments, also announced at the AGM. They are Mr Derek Hall, Dr Rodney Leach, and Mr Malcolm Paris, at present all executive directors. The interest, however, will centre on Denholm, to observe how his style will differ from the withdrawn but tough Scottish laird.

Untitled

City stockbroker the Honourable Mervyn Greenway, a man who is appropriately fond of a bet, has just advertised in the Fulham Chronicle for a nanny. He was very excited a day or two later to get a letter addressed to "On the Ball," M. Greenaway. Had he at last won that tricky guessing game? No, it was just an invoice from the Fulham Chronicle which obviously has a casual way with titles.

Observer

FINANCIAL TIMES SURVEY

Monday June 14 1982

The United States

Since President Reagan swept to electoral victory, 18 months ago, everything has not gone according to plan. With mid-term elections taking place this year, the Republican Administration is looking increasingly vulnerable on the political front.

Wary eye on the opinion polls

RONALD REAGAN'S America is not to everyone's liking. In the eyes of many Europeans, it is dangerously over-obsessed with military power — to the extent that the techniques of fighting (and winning) a nuclear war have become a legitimate topic for debate in Washington — and potentially isolationist.

In the U.S., his critics contend that President Reagan is a rich man's president, surrounded by a coterie of fat-cat Californians, impervious to the needs of the poor, the old and ethnic minorities — in the latter case to a point verging on racism.

By REGINALD DALE

U.S. Editor

Mr Reagan would strongly contest all of these allegations. Indeed, he has gone to considerable lengths to rebut them in recent months, particularly as the extent to which they could damage him politically has become clearer. He resents it that he has not always been successful.

It is easy, particularly for foreigners, to criticise President Reagan. But it should not be forgotten that few Americans can legitimately claim that they did not know what he stood for when they voted him into office in November, 1980.

He has been more true to his campaign promises than almost any other modern politician—and he still believes that the American people gave him a clear mandate to do what he said he would do.

Nor should it be forgotten that Mr Reagan's values do represent those of a vast number of Americans outside the East Coast upper-middle class intellectuals with whom their European counterparts tend to identify.

If Mr Reagan's standing is *slipping in the opinion polls*—and it is—it is as much because he has not managed to implement his policies as because ordinary people disagree with them.

Mr Reagan believes in simple, honest, pioneering values: free enterprise, individual liberty, anti-Communism, the family, religion and the minimum possible interference in people's lives by "big government." In common with many Americans, he believes that the U.S. is the only true democracy in the modern world (which is simply not true) and he has claimed openly that America is the world's "last bastion of freedom."

He believes that if only the Third World would embrace these values the problems of their economic development would rapidly disappear and Communist world-wide expansionism would suffer a mortal blow. He believes, in any event, that Marxist-Leninism is close to its death throes.

Mr Reagan is surrounded by advisers who tend to have earned their riches as successful businessmen — sometimes, it seems in Washington, by rather dubious practices. The ethos of the Reagan Administration is Californian — and therefore less naturally sympathetic to Western Europe than many of its predecessors — and big business.

Its members tend to be people who have little nationwide political experience, and certainly little experience of foreign affairs, and who believe that America is 100 per cent right about everything.

Mr Reagan has become increasingly aware, however, that in domestic political terms his Administration is vulnerable to accusations that it lacks a human *face. For several months* now, he has both stepped up his initial sparse exposure to television and the Press — with particular stress on the "caring" nature of his policies. He has gone out of his way to woo black and female voters.

This, after all, is an election year. In November, the whole of the 435-member House of Representatives and one-third of the 100-strong Senate, will be up for re-election. It was at this point that Mr Reagan's Republicans intended to stage the major political coup that would put the U.S. on an irrevocably conservative track for many years ahead.

The mid-term elections were initially seen as the moment at which the Republican Party would consolidate what was regarded as a Right-wing landslide in the 1980 Presidential elections, extend its grasp over the senate, and seize control of the House of Representatives.

Legislation would then comfortably be passed that would ensure that conservative values were embedded in the American way of life for years to come.

If that was really the game plan — and many Washington Democrats certainly believe that it was — it is not looking as good as it once did. Not everything has gone according to plan for Mr Reagan and his Republicans in the last year.

Last summer Mr Reagan was riding on a wave of success, in which he had overwhelmed the Democrats so that they were in total disarray. He had laid the foundations of his economic programme with smashing Congressional victories on both tax and spending cuts. He had done so with the help of rebel conservative Democrats, who felt that their often Southern constituents were behind Reaganomics.

As a political tactician Mr Reagan seemed to be one of the most successful presidents of recent times.

His political estuteness has by no means disappeared, but he himself admits that after his initial spectacular successes his Administration faces a hard slog getting its policies through Congress. If all has not gone according to plan, it is largely because the economy has entered far more intractable recession than anyone inside or outside the Administration ex-

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★★★ IN THIS SURVEY ★★★

Ashley Ashwood

President Reagan faces a serious political problem. If the economy fails to pick up much by autumn the Democrats can argue that Reaganomics has failed. It is now more difficult to blame the recession on the Carter Administration.

Even hard-core supporters are now restive says **Anatole Kaletsky**

The Reagan realignment runs out of steam

DID THE American people elect Ronald Reagan as president in 1980? Or did they just reject Jimmy Carter?

Only 43 per cent of the electorate now approves of the way President Reagan is handling his job. After five months of humiliating deadlock with Congress over his budget proposals, after a spectacular *volte-face* on nuclear arms control, after Congressional setbacks on El Salvador and Nicaragua and after a loss of initiative on the conservative "social agenda" of issues such as abortion, race and school prayer, it is by no means clear that American voters positively wanted the sort of politics that Mr Reagan represents.

They will have a chance to express their will again in the Congressional elections, coming up in November. At present, the Democrats look like picking up almost as many seats as they lost when President Reagan and the Republicans were swept to power in the wake of President Carter's nightmarish confrontation with Ayatollah Khomeini over the hostages in Tehran.

Yet, for a year after Ronald Reagan's landslide election on November 4, 1980, it would have seemed absurd to wonder whether the Reagan victory might have been mainly a consequence of the Carter defeat.

Not only was President Reagan "the great communicator," the first man since Jack Kennedy (perhaps since Franklin Roosevelt) to establish a direct rapport, almost a personal friendship, with tens of millions of American voters.

More importantly, he was also a man who represented an ideal, a sea-change in America's whole political and social environment.

Again, like Kennedy, he did not just believe in his ideals of economic self reliance, tough minded patriotism and traditional morality—he seemed to personify them in his very style.

Throughout last year, it was almost taken for granted among political pundits that Ronald Reagan was much more than a consummately effective politician who happened to be in the right place at the right time; Rather, he was described as the precursor of an historic "political realignment" which could change the face of American politics for many years to come.

The talk of realignment was not just wishful thinking by the rapidly growing number of conservative commentators in Washington.

Mr Alexander Haig, Secretary of State, and Mrs Jeane Kirkpatrick, U.S. ambassador to the UN: softening up the hard line

Evidence

There has been growing evidence since the mid-1960s of a breakdown in the traditional coalition of manual workers, ethnic minorities, intellectuals and southern conservatives which had made the Democrats the "natural party of government" in the U.S. for the past fifty years. But it was by no means clear until the Reagan victory, that conservatism, both within and outside the Republican party would be the U.S. political system's new dominant creed.

What Reagan succeeded in doing was not only to bring in on his coat-tails the first Republican majority the Senate had seen since 1952 but within weeks of the election he had also organised the House of Representatives, in which the Democrats still had a 26-seat majority, into a reliable ally by enlisting the support of about 30 conservative Democrats from southern states.

This group, nicknamed "the boll weevils," after an insect pest which periodically wreaks havoc on the Southern cotton crops, found a natural leader in President Reagan.

A powerful anomaly in American politics, with their small-town religiosity, their opposition to civil rights legislation, their resentment of the Federal Government (dating back to the Civil War) and their fervant anti-Communism, they had for many years failed to find a satisfactory place in a political spectrum defined by progressive Democrats at one end and internationally minded Republicans identified with "big business" interests on the other.

With the "boll weevils" behind him, the Democratic Party establishment totally demoralised, and the Republicans backing him to a man, despite serious misgivings about the prudence of his swingeing tax cuts, President Reagan won a series of spectacular budget victories in the Congress.

They culminated in July last year with a budget bill which cut $35bn off non-military spending and added $18bn to the defence budget.

Most importantly and controversially, the Congress approved a $749bn package of tax cuts over five years, which many feared would produce budget deficits approaching the unprecedented level of $100bn.

In the process, it was said, he was changing not just the economic environment, but the whole nature and scope of government.

At the time, these victories were widely hailed as evidence of the great conservative realignment. By his very success in implementing a highly controversial programme, President Reagan reinforced the conviction that it was unquestionably and specifically this programme that the nation had mandated in bringing him to office.

It soon began to appear, however, that in ramming his budget through an uneasy Congress, Mr Reagan had exhausted too much of his goodwill and energy. When he came back for another $13bn of spending cuts in the autumn he was only partially successful.

Late last year he narrowly escaped a disastrous foreign policy defeat in Congress over his decision to sell Awac early warning aircraft to Saudi Arabia and he was actually humiliatingly rebuffed when he asked Congress to consider the possibility of cutting social security pensions.

As President Reagan began to flounder in the face of traditional centrist and left-wing opposition in Congress, his hard-core conservative supporters, too, became increasingly restive.

Since the end of last year, conservative think tanks, "right to life" anti-abortion lobbies and religious groups, such as Rev. Gerry Falwell's "moral majority" have complained vociferously that, in his preoccupation with economics, the President was neglecting his social mandate.

There have also been sharp personal accusations from the extreme right against the President's White House entourage, in which many hard line "Reaganauts" have been pushed out by "moderates" originally loyal to Vice President Bush, or even to former presidents Nixon and Ford.

The most prominent example was the removal of Mr Richard Allen, the President's original, and highly conservative, National Security Adviser who repeatedly clashed with the "moderate" Secretary of State, Mr Alexander Haig.

The same trend may now be going further, with Mr Haig apparently succeeding in minimising the foreign policy roles of Mr Caspar Weinberger, the hard-line Defence Secretary, and Mrs Jeane Kirkpatrick, the outspoken and aggressive ambassador to the United Nations.

A reverse

In fact, foreign policy has been the area in which Ronald Reagan's vaunted conservative re-alignment has been most rapidly and clearly reversed. The absence of a genuine popular mandate for the projection of U.S. military power first became obvious as the war in El Salvador intensified before the U.S.-backed elections there, in March.

Opposition has grown rapidly in Congress, the media and opinion polls to U.S. aid, never mind direct military assistance, for the anti-Communist regime in El Salvador.

Mr Reagan's political advisers in the White House rapidly concluded that El Salvador was an unpopular issue and encouraged the President to steer clear of it, leaving its handling entirely to Mr Haig.

What the response to El Salvador suggested — that the American public remains deeply hostile to militarism after the disastrous experience of Vietnam—was soon underlined to the nth degree by the unexpected efflorescence of the anti-nuclear movement.

Mr Reagan's response to the movement has been rapid and adept, but he is unlikely to lull it into quiescence without still further progress on arms control. In any case, Mr Reagan's immediate acceptance of the movement's legitimacy, shows how much has changed since those early heady days of 1981.

Not even the President himself seems to cling any longer to the unquestioning belief that he was given a mandate in 1980 to push the country far to the right along every social, economic and political road.

Opinions are sharply divided on whether its latest bout of strength will continue. **David Lascelles reports.**

Judging the value of the dollar

THE REAGAN Administration's policy of not intervening in the foreign exchange markets either in defence or support of the dollar has been highly controversial internationally—not just because other leading nations are intervention-minded but because the dollar's recent strength has made life hard for them.

While the Administration said at the recent Versailles summit the it was willing to join a study of what could be done to increase international monetary co-operation, this did not mark any major change in policy. The Administration is too closely wedded to free market principles and at the moment, too concerned with domestic matters to do that.

Officially, all it has done is to say: "We are ready if necessary to use intervention in the exchange markets to counter disorderly conditions." Previously it would only intervene in emergencies, which is much the same thing.

The Federal Reserve Bank of New York, which implements foreign exchange policy for the U.S. Treasury, confirmed just as the summit was getting under way that it had not intervened over the dollar since the attempt to kill Mr Reagan 14 months before. There had been moments when it stood by in emergencies, like the imposition of martial law in Poland last December. But each time the crisis in the markets subsided.

The dollar has appreciated sharply against major currencies since Mr Reagan took office. It reached an initial peak in mid-1981 when it showed gains of about 30 per cent against sterling, the D-mark and the French franc, and about 20 per cent against the Swiss franc and the yen. By the end of last year it had shed about a third of these gains, only to recover much of them in spring of this year.

Pressure

Greatest upward pressure has come from U.S. interest rates which have been at or near record levels most of the time Mr Reagan has been in office. But there has also been strong investment demand for the dollar because of the apparent cheapness of U.S. assets and America's appeal as safe haven in a turbulent world.

Given the declining rate of inflation in the U.S., real yields on dollar assets have been extremely high. At the same time, the U.S. trade picture has been stronger than expected. The current account remained in surplus early this year thanks to smaller oil imports and strong exports of services.

On the other side of the market, foreign currencies have been weak because of economic problems in Europe and Japan and their relatively lower interest rates.

The big question now is whether the dollar's latest bout of strength will continue. Opinions are sharply divided. A large segment of the market believes that the dollar is overvalued. Assuming that U.S. interest rates continue their hesitant downward course and an economic recovery weakens the U.S. balance of payments, there is reason to believe the dollar could go down.

If other currencies, particularly the D-Mark, begin strengthening at the same time, the change in parities could be significant. Some bankers are predicting DM2 to the dollar, a fall of about 15 per cent from recent levels. The dollar's decline against weaker currencies like sterling and the French franc would be smaller.

On the other hand, the market has been saying that the dollar is overvalued for a long time; and the current uncertainty about U.S. economic prospects and interest rates has made businesses and traders reluctant to commit themselves strongly.

The true testing point for Reagan's policies will come towards the end of this year, says **Anatole Kaletsky**

Critics point to bitter fruits of 18 months of 'Reaganomics'

THE U.S. economy is in a mess by almost any standards. Output is weak, vital industries are tottering, the Federal Government has lost control of its own finances, interest rates remain at record levels relative to inflation and unemployment is scaling new peaks almost monthly.

To Ronald Reagan's detractors these are the bitter fruits of 18 months of "Reaganomics."

According to the conventional wisdom of traditional economists, President Reagan's highly personal blend of giveaway "supply side" tax policies and relentless monetary deflation has set up a clash between an irresistible force and an immovable object—a clash with economic devastation as its only predictable consequence.

To the American business community and the public at large, however, Reaganomics still appears to inspire hopes for a lasting cure to the national economic malaise which many now regard as too deep-seated to be judged by the latest blip in the inflation rate or the index of leading economic indicators.

The public gauges this malaise most directly in terms of the growing rates of unemployment and inflation during the past 10 years.

Unemployment, now at 9.4 per cent, is exactly double the average between 1963 and 1972. Inflation, as measured by the broadest and most stable index, the so-called GNP deflator, was 9.2 per cent in 1981.

Although the inflation outlook has improved greatly in recent months, the International Monetary Fund said a month ago that the GNP deflator will rise by 7 per cent this year.

Like the unemployment rate, this measure of economic discomfort would be exactly double its average rate between 1963 and 1972.

These, of course, are troubles which the U.S. shares with the whole world to a greater or lesser extent. One just has to look deeper and further back in history for the U.S. economy's more specific and arguably more serious afflictions.

For more than 20 years now the U.S. economy has grown more slowly than that of any other major industrial country, with the exception of Britain's.

The U.S. performance on productivity has been even worse. The growth of manufacturing productivity has languished well behind even the dismal British level: between 1962 and 1981, output per man-hour in U.S. manufacturing industry increased by only 61 per cent, compared with 97 per cent in Britain, 153 per cent in Germany, 162 per cent in France and no less than 396 per cent in Japan.

For most of the 1960s such unequal progress could be overlooked because of the huge advantages, in terms of both industrial productivity and living standards, from which the U.S. started.

The general view was that countries such as Japan and France, which began from much lower base levels, would display higher percentage growth rates for a while as they caught up with American technology, but that these would start to flatten out well before U.S. industrial superiority was seriously challenged.

In fact, however, the productivity growth gap has tended to widen in recent years. From 1977 to 1981, for example, productivity grew at just one quarter the rate of the previous five years in the U.S.

In France, the productivity growth rate halved in the same period, while in Japan it hardly fell at all.

Long-term trends like these have only recently begun to register with many U.S. businessmen and politicians as a result of world recession, a savage squeeze on profits and the increasing exposure of U.S. markets to international competition.

Unemployment, now at 9.4 per cent, is exactly double the average between 1963 and 1972

Without the growing anxiety about America's relative economic decline, the public and the business community might have been less tolerant of what, from the European perspective, appear to have been the desparately risky experiments of Reaganomics.

It is because of this public awareness of past economic failure that President Reagan, like Mrs Thatcher in Britain, but unlike many other world leaders, can reject so categorically what he calls the "politics as usual" of previous administrations and insist that there is no alternative to his new policies, however painful they may appear to be in the short term.

The key objective of these new policies is to raise productivity. President Reagan believes that the way to do this is by increasing monetary rewards for individuals and companies who improve their own ability to supply the products and skills which the economy requires.

The main way of doing this, according to Reaganomics, is to cut taxes sharply on both personal incomes and corporate profits.

There are, to be sure, many other measures in President Reagan's armoury of "supply side" policies: deregulation of industries which have been protected by government from side" policies: deregulation of costly and complex environmental restrictions on how industries can operate; reduction of welfare benefits to increase the willingness of the labour force to work for low wages.

But, in essence, Reaganomics stands or falls on the ability of a 25 per cent personal tax cut between 1981 and 1983 and even larger cuts in corporate taxes to revive America's productivity and entrepreneurial drive. These tax cuts were passed last August in the Economic Recovery Tax Act, a law which, as its title suggests, is the heart of the President's recovery programme.

President Reagan's faith in the long-term benefits of his tax cuts cannot be stressed too much. For it is this faith which gives him the will and confidence to clash with conventional economists, the Democratic and Republican establishments in Congress and much of the financial community in Wall Street, all of whom blame the budget deficits which these tax cuts are bound to create for the economic damage that Reaganomics has wrought so far.

The Economic Recovery Tax Act will reduce the Federal Government's budget receipts by $38bn this year, $92bn in 1983, $139bn in 1984 and $177bn in 1985. It is these enormous and growing revenue losses which account for the unprecedented deficits which President Reagan was forced to project in the budget which he presented to Congress in February this year.

It was these unpalatable deficits of around $120bn in 1983, and probably more thereafter, according to independent forecasts, that made Congress reject the Reagan budget in April, locking the country into the budget stalemate which has done so much harm to financial confidence around the world in the past few months.

But it is still too early to say which way the final verdict on the Reagan tax cuts should go. The decision to announce such a sweeping programme as much as three years in advance, leaving no scope for fine tuning in accordance with how economic conditions develop certainly seems to have unsettled the financial markets. This has probably caused interest rates to remain higher than they would have been in the absence of the tax reform plans.

The main objective of the President's economic policy is to raise productivity

On the other hand, economists of most persuasions, including monetarists, Keynesians and "supply siders," agree that the first two instalments of the personal tax programme—a cut of 5 per cent in October 1981 and a 10 per cent cut due this July—will make a major contribution to pulling the U.S. economy out of its present recession.

This autumn there will be an estimated $45bn increase to after-tax incomes resulting from July's tax cut and a scheduled 7.4 per cent increase in social security pensions. This boost to consumer spending is almost bound to put the U.S. economy back on a growth path for the second half of this year.

Some growth will resume even if there are no further falls in interest rates in the coming months. But the nature of this growth will be highly unbalanced, with interest-sensitive industries like housing, cars and investment goods continuing to languish, while consumer and service industries thrive.

The real testing point for Reaganomics will come towards the end of the year. As the initial boost to consumption leads to rising economic activity, There will be growing demand for bank credit from industry and consumers.

What will happen when this comes up against the Federal Government's increasing need for credit to finance its deficit and a tight monetary ceiling imposed by the Federal Reserve Board to fight inflation, with President Reagan's strong support?

Something, it seems, will have to give. Some forecasters believe interest rates will rise again sharply and the economic recovery will be choked off, to be replaced by a new slump deeper than the last.

The Reagan Administration's official view is that savings will rise sufficiently over the coming months to allow both private and public credit demands to be satisfied without putting pressure on monetary targets or interest rates.

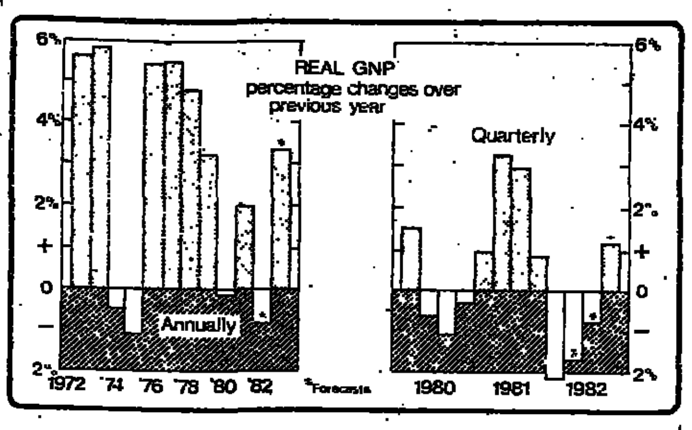
Another view gaining ground in the Congress is that, if all else fails, the Fed will have to relax its monetary stance sufficiently to ensure that interest rates do not rebound.

While such an idea is anathema to the monetarists in the Reagan administration, it could prove acceptable both to investors and to the Fed if prospects for inflation continued to be as favourable as they appear at present and if the economic recovery this autumn turned out to be relatively weak. For only out-and-out monetarists believe that growth in the money supply must inevitably lead to inflation, irrespective of the state of economic activity when money supply is allowed to rise.

By the end of this year it may be hard for President Reagan to avoid making, or at least pushing, the Congress and the Fed to make a choice between his tax cuts, his commitment to tight monetary growth and his desire for lower interest rates.

Unfortunately, there is unlikely to be any evidence by then that Reaganomics, however defined, is capable of producing the long-term structural improvements in productivity which the U.S. will need if it is to avoid being overtaken by Europe and Japan.

KEY ECONOMIC INDICATORS



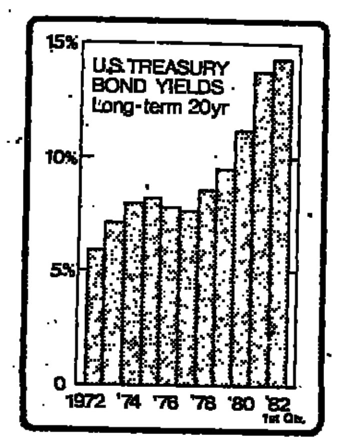
MONEY SUPPLY

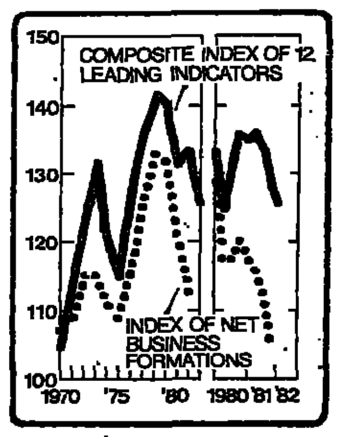
(% change on previous year, or corresponding period previous year)

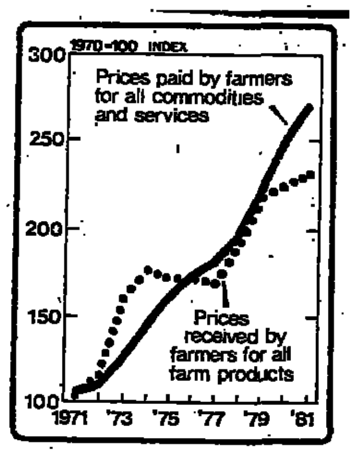
	M1	M2	M3
1972	7.17	12.51	13.55
1973	7.28	10.01	13.31
1974	5.00	6.20	9.76
1975	4.64	9.42	8.32
1976	5.68	13.13	10.67
1977	7.64	12.95	12.34
1978	8.21	8.83	11.75
1979	7.69	8.53	10.31
1980	6.28	8.28	9.31
1981	7.03	9.77	11.60
1982 1st qtr	4.28	5.94	6.11

Source: Federal Reserve System

President Reagan and the dollar: a deep faith in the ability of tax cuts to revive the economy.







PERSONAL SAVING

(% of disposable income)

	U.S.	Japan	Germany	France	UK
1978	5.2	20.1	13.7	17.5	12.7
1979	5.3	19.6	14.4	15.9	14.1
1980	5.8	18.3	13.3	14.1	15.3
1981	5.0	18.5	13.5	14.25	13.75
1982	5.0	18.0	13.75	14.0	13.0

Source: BIS, OECD.

FEDERAL/CENTRAL GOVERNMENT DEFICIT

(% of GDP)

	U.S.*	Japan†	France	UK†	Germany*
1977	2.9	6.6	1.9	3.5	1.9
1978	2.8	9.6	2.8	5.8	2.0
1979	1.7	6.4	1.8	6.3	1.9
1980	2.9	6.9	1.1	5.8	1.9
1981 est	2.8	4.9	2.8	4.3	2.7
1982 est	3.8	4.2	3.2	3.5	2.0

* Federal Government. † Fiscal year: April to March.
Source: OECD, National Budget Estimates, Phillips & Drew.

The lack of a clear approach is causing widening rifts between the EEC and Washington. Christopher Parkes explains.

Open trade policy takes a buffeting

AS THE mid-term congressional elections loom, the U.S. is discovering for the first time in a generation that trade has become a political issue.

Apart from the long running, broadly three-cornered battle involving the U.S., Japan and the European community, the Reagan administration has been struggling more recently to promote its general policy of open trade in the face of growing pressure at home for more protection for U.S. markets.

There are also complicating rifts within the administration, where differences between the Department of Commerce, the U.S. trade representatives office and the State Department have been hampering the formation of a clear approach.

Nor are negotiations likely to be easy at the November Ministerial Meeting of the General Agreement on Tariffs and Trade (Gatt) in Geneva.

Strive as it might to maintain its open trade policy, the U.S. regularly finds itself forced into the embarrassing position where its markets come under fierce pressure from imports and its leaders are squeezed by powerful lobby groups.

In May, for example, President Reagan reluctantly gave his blessing to a proposal from the U.S. Department of Agriculture (USDA) to impose quotas on imports of sugar.

At the time, the world market sugar prices were around their lowest level for two and a half years.

The limitations of the U.S. import levy system prevented it from effectively protecting the home market, and quotas appeared to be the only answer. Had the limits not been set on imports, the USDA warned, the Government would have had to spend $1bn this year on supporting the internal sugar industry.

While this instance could be termed a purely "trade" measure — and an especially embarrassing one since it threatened to set against the U.S. the developing countries which the U.S. is trying to draw more closely into the world of formalised trading agreements —the U.S. also has a recent history of using trade as a political weapon.

For example, the grain embargoes used against the Soviet Union in 1975, 1978 and 1980; the ban on high technology sales to the USSR in 1978; and the more recent attempts to hamper the construction of the Soviet gas pipeline.

Such actions have prompted the customers to look elsewhere for supplies, and caused even the U.S.'s allies to ponder the reliability of America.

On a recent visit, following the ban on the sale of general electric parts and turbine parts to European contractors on the Soviet gas line, Count Otto Lambsdorff, the West German Economics Minister, had some harsh things to say.

He said the world had not considered imitating GE technology in this field because it was taken for granted that supplies from the U.S. were secure. If that had changed, he said, the U.S. would find many people around the world thinking: "Can we rely on the Americans—or should we hedge our bets?"

The European community and the U.S. have long been "at daggers drawn" over trade policy. In the past, agriculture has been the main source of contention. But the bitterest row recently has been prompted by EEC exports of steel to the U.S.

Earlier in the year the International Trade Commission in Washington received four lorry-loads of documents purporting to support charges that, among other things, community exporters were damaging the U.S. industry by dumping steel.

Protectionist lobby aimed mainly at Japan

Sir Roy Denman, the EEC's Director General for External Affairs, responded in May with a charge that the U.S. had launched a "massive campaign of harassment against EEC exporters."

Claims that the trade was harming U.S. makers were "moonshine," he said.

In a blistering and wide-ranging attack on the U.S., he said that the welter of U.S. complaints before Gatt against European farm exports threatened to overload and even "blow" the Gatt disputes settlement procedure.

Washington has not, however, ignored all the stern words.

The EEC sent a memorandum to Washington recently warning that proposed U.S. trade reciprocity legislation would undermine the structure of the liberal trading system built up since the last war.

Promoted by the restive and powerful protectionist lobby and aimed mainly at Japan—a market the U.S. has been trying to prise open for some years—the original bills were drafted on the principle that the U.S. should open its markets to foreign suppliers only to the extent that the foreign suppliers opened their markets to U.S. exporters.

In the event, President Reagan's supporters managed to draw the teeth of these bills and the compromise version emerged containing a vital clause stating that there would be no automatic obligation on the President to retaliate against countries which failed to grant the U.S. full reciprocal trading rights.

The softening process may well have been aided by a warning in the EEC memorandum which said that passage of the bills in their original form would damage the U.S.'s hopes of extending Gatt beyond merchandise trade and into services, investment and high technology.

The fastest-growing U.S. export sector is in services—shipping, banking and insurance and similar industries—which registered exports of more than $60bn in 1980 and a surplus of $8bn.

Latest figures on high technology exports show an annual surplus of $39bn compared with a surplus on the long established agricultural exports of $30bn.

In spite of this progress and the fact that about 20 per cent of the goods produced in the U.S. are exported, the U.S. share of world trade is falling.

From the post war boom years, when the U.S. had about 30 per cent of world trade, its share has fallen in recent years to around 10 per cent.

With newly industrialised and developing countries moving into traditional export markets in manufactured goods, the U.S. is keen to nurture its services and high technology exports and especially to have them protected within the framework of Gatt.

Addressing the National Press Club earlier this year, Mr William Brock, the U.S. Trade Representative, said that in order to realise its full potential in products and sectors of growing competitive advantage "we must begin to focus on those areas where trade restrictions still abound."

"This is less a question of resisting renewed protectionist pressure than of addressing barriers which have rarely before been subject to international negotiation," he said.

The peculiarities of the high technology market, Mr Brock said, increased the temptation for governments to protect their domestic markets and subsidise the new industries' attempts to penetrate overseas markets.

Bitterest row over EEC exports of steel

Freer access for U.S. services to other markets was also important not only because of its beneficial impact in helping to offset the national deficit on merchandise trade, but because of the rapid growth in supply, demand—and obstacles—around the world for services.

In the past, the U.S. had relied on bilateral negotiations to remove obstacles to this trade. These are now so widespread, Washington feels, that a formal Gatt regime is needed to control them.

Mr Brock's other main aim is to pull the developing world's trade policies more into line with those of the industrialised nations. U.S. exports to the less developed countries totalled $89bn last year—more than the whole of Western Europe and Japan combined.

Exports by U.S. manufacturers to these regions have risen seven-fold since 1970 and now almost 40 per cent of U.S. exports of manufactured goods goes to the Third World.

The performance would have been even better, trade officials insist, had there not been so many tariff and non-tariff barriers in the way.

"Frankly speaking," Mr Brock declared recently, "developing countries are conducting their trade . . . largely unfettered by multilateral discipline.

"We wanted them in the system, and they came as they were—with sky-high tariffs, quotas, licensing systems and a whole host of protectionist barriers."

Now, the administration feels, the time has come for a north-south round of trade negotiations within Gatt. In November at the Geneva talks, the U.S. is likely to warn that unless third world protectionism is eased, the developing country exporters may find themselves having more difficulty gaining access to markets in the industrialised world.

Trade Department officials claim that progress is being made on all Washington's priorities.

Preliminary talks have already been held in the OECD Trade Committee and the Gatt Preparatory Committee. U.S. delegates at these talks say that the November Ministerial Session will probably end with a general re-dedication by members to the liberal principles of Gatt.

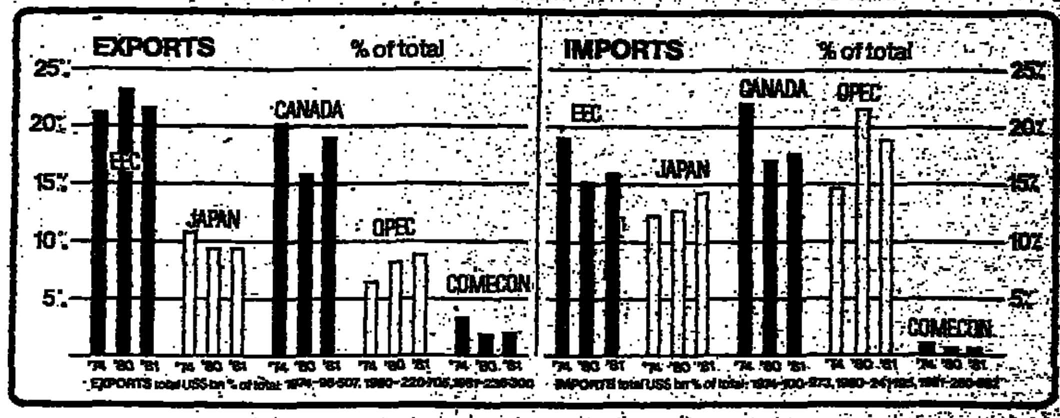
Crucially for the U.S., however, the Ministers are also expected to initiate a work programme for the Gatt which will focus on pressing issues—including Mr Brock's proposals.

"Our strategy is that we have got to get the system moving forward, otherwise things will start slipping backwards," one official said.

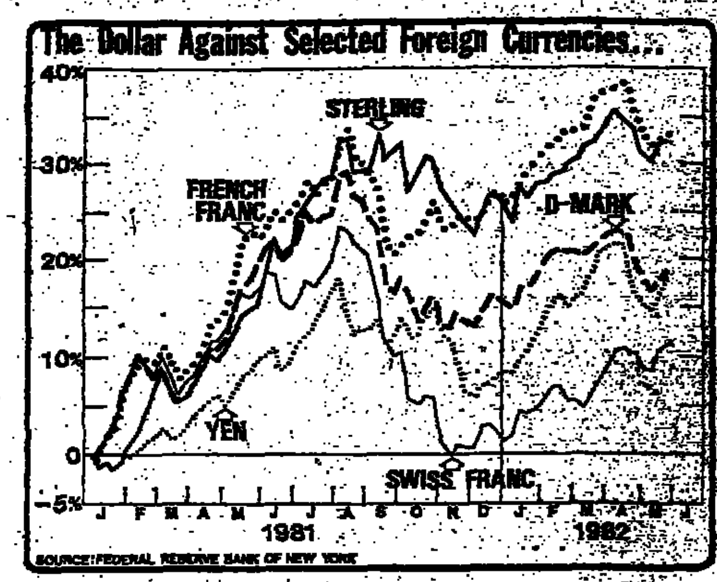
"The others seem to be coming along with us . . . not as forcefully or as eagerly as we might like . . . but things are moving," he added.

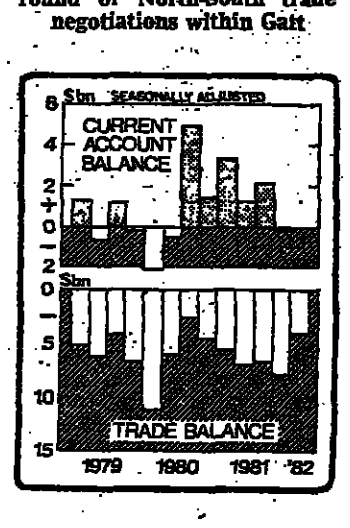
Whether this is enough for Mr Brock is as yet hard to say. He and his team will need tangible evidence of progress at Geneva. He needs evidence which can be taken home to show the doubters that the trading world is still prepared to resist the protectionist temptations raised by the pressures of recession, and that the Reagan administration's much-vaunted open trade policy is bearing fruit.

Without progress, the protectionist hawks will move in once again, and Mr Reagan will find it progressively more difficult to fight them off.



Mr William Brock, U.S. Trade Representative: time for round of North-South trade negotiations within Gatt





U.S. TRADE WITH LATIN AMERICA,* 1970-80 ($M)

	U.S. EXPORTS 1970	1974	1978		U.S. IMPORTS 1970	1974	1978
Total	5,695	14,502	20,183		4,779	12,867	13,560
% World trade	13.2	15.4	14.0		12.0	13.6	10.8
Agricult'ral goods	562	2,287	2,799		3,740	3,921	6,067
Manufact'd goods	4,449	10,661	15,549		856	3,620	5,547
Capital goods	2,304	4,947	8,130		135	891	1,446
Consumer goods	835	1,719	3,050		223	1,203	2,106
Intermediate†	1,838	5,220	5,726		2,032	7,231	8,354
Main groups:							
Food	413	1,719	2,099	Food	2,186	3,908	6,100
Grain	226	1,362	1,478	Coffee	769	963	2,969
Chemicals	716	2,245	2,679	Sugar	421	1,312	471
Motors and parts	396	784	1,465	Crude petrol.	1,912	2,332	3,904

* Including Central America. † Industrial supplies and materials.
Source: Department of Commerce.

The President's deregulation drive began with striking changes but has now run into controversy and has been toned down to preserve the peace and jobs.

Why the banner of freedom waves more feebly

"DEREGULATION" was one of the banners under which President Reagan swept to power last year, his aim being to unleash America's economic vitality from the shackles of excessive bureaucratic control.

But laudable though those aims might be, he has quickly learnt that what might be welcome deregulation to one man means polluted air, extra competition or just plain awkwardness to another. And while his deregulation drive has produced some striking changes, it has also become highly controversial to the point where it has been stalled or consciously toned down to preserve the peace and, in many cases, jobs.

The most striking example of this is the banking industry which is straining to be cut loose from major laws passed 50 years ago but has been unable to agree among itself on the kind of freedom it wants.

The large New York banks want the right to enter new markets and lines of business that are not directly related to banking. But they are being vigorously opposed on the first score by regional and small town banks who do not want a Citibank branch across the road, and on the second by Wall Street investment firms who do not want banks in the securities business.

As a result, the sweeping reform of U.S. banking law which many banks—with the backing of both the Administration and the regulators—are seeking is unlikely to come about in the near future. The most that Congress has so far been able to agree on is a small relaxation of the law to permit banks to offer a limited range of new financial services.

The poor state of the economy has also made the Administration more hesitant about pushing ahead with deregulation moves that it had promised or had already been initiated by the Carter Administration.

No more has been heard, for instance, of Mr Reagan's campaign pledge to do away with the minimum wage because it only served to price the low-paid out of a job. Critics of the Administration also suspect that it is dragging its feet on deregulation of the transport business which was launched several years ago.

The Interstate Commerce Commission has been accused of holding back the phase-out of route and pricing regulations in the trucking industry. Critics note that the Teamsters Union, which is racked by mass unemployment, was one of the few labour organisations to endorse Mr Reagan's candidacy.

The air and shipping lines have also been given greater freedom to associate themselves with international pricing cartels, like IATA, a move which actually reverses deregulation policies initiated under Mr Carter. The recent collapse of Braniff and the pleas of harassed airline executives have not, however, prompted the administration to slow up the deregulation of the domestic airline industry where competition's icy blast has led to massive losses.

A slowdown

The precarious state of the savings and loan industry has also forced the Administration to slow down the removal of ceilings on the amount of interest banks may pay depositors. Although these are so low that they prevent banks from competing with mutual funds for the saver's dollar, any easing automatically increases banks' funding costs without necessarily increasing their market share.

Agriculture is another sector where the pain of deregulation appears to outweigh the cost. With granaries bulging, farmers are suffering from a crisis of overcapacity which threatens to drive the less financially secure of them out of business.

Yet instead of allowing attrition to take its toll as the dyed-in-the-wool Reaganites would like, the Department of Agriculture is instituting various crop reduction incentives on top of the price supports which already protect farmers against the worst.

Public outcries against the Administration's proposals to lease large tracts of federal land to minerals explorers have also prompted it to backtrack even though oil companies have warned that this could shut the country off from potential supplies of oil.

Energy is, however, one area where the Administration can claim to have carried out major pledges and delivered the promised results.

When he came to power at the beginning of 1981, Mr Reagan immediately abolished remaining controls on the price of oil even though opponents argued that this would give a spurt to inflation. After jumping sharply, petroleum prices came down again and are now little more than they were a year ago.

The economic recession and the world oil glut have helped. However, oil imports have declined dramatically, aiding the U.S. trade balance, and domestic exploration and production have been close to record levels.

Whether the Reagan Administration will act with similar boldness over natural gas price controls is another matter. With an election looming and the economy weak, the political constraints against such a move are strong. Some action may be needed, however, to prevent the U.S. energy pricing picture from getting too distorted.

For industry, the Reagan era has brought some reduction in regulatory oversight. Key agencies such as the Environmental Protection Agency (EPA) and the Occupational Safety and Health Agency (OSHA) have spent less time enforcing what they consider to be nitpicking rules, though they are sensitive to charges that they are being soft. Instead, they insist that they are concentrating on the "big picture."

Nevertheless, when the National Highway Traffic Safety Agency recently relaxed strength standards for car bumpers there was an uproar from consumer advocates (who made their first reputations over auto safety) and insurance companies warned that while this might bring down the price of a car it would push up insurance premiums.

The Securities and Exchange Commission (SEC) has also found itself in the thick of controversy as it tries, under Reagan-appointed Mr John Shad, to shake off a reputation for harassment and concentrate on bringing to justice "those who steal and cheat." Its enforcers dropped a case in which Citibank, New York's largest bank, was alleged to have violated foreign tax and exchange control laws on the grounds that it was old and petty. But it has cracked down on "insider trading" and fraud.

Wall St upset

The SEC has striven to cut down on paperwork by devising the so-called "shelf registration" rule which allows sellers of securities to register for a large batch which they can then market whenever they want.

Previously, companies had to register each sale separately which was costly and time consuming. But welcome though the rule is to seekers of capital, it has upset Wall Street because it threatens to deprive investment firms of underwriting business, and it makes the timing of securities issues less predictable.

Controversy has also surrounded Mr William Baxter, the new anti-trust chief at the Justice Department who has narrowed the interpretation of the anti-trust laws and toned down his department's regulatory effort.

Aside from producing more lenient guidelines on what is to be regarded as "anti-competitive," he ended two major cases, against AT and T and IBM, agreeing on a divestiture plan with the first, and dropping the case altogether in the second.

Whether the Reagan deregulation drive marks a turning point or just a brief reversal in the inexorable growth of bureaucracy remains to be seen. Thus far, it has scored some successes, even if the recession has slowed the pace.

David Lascelles

Reagan insists that the U.S. must re-arm before it can disarm

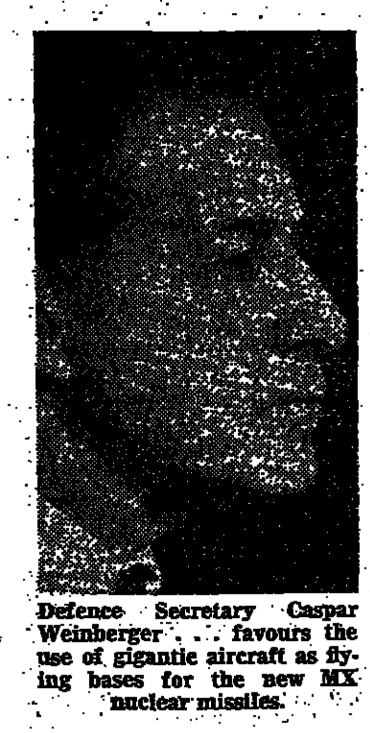
Catching up with the Russians

PRESIDENT REAGAN has never abandoned the conviction that he was elected to rebuild America's military might after years of what he regards as irresponsible neglect.

As an assessment of voters' motives in November 1980, that is almost certainly largely correct. Not only has the Soviet Union caught up with — the Reagan Administration would say surpassed — the U.S. in nuclear weapons, but world attention was drawn to the deficiencies of American conventional forces by President Carter's botched attempt to rescue the hostages from Iran.

Many ordinary Americans felt deeply humiliated and resented the suggestion that the U.S. was losing its grip as a Super-Power. U.S. newspapers have published a stream of stories about anti-tank missiles that bounce off tanks, shells that explode in the gun barrel, and aircraft that have been given so many roles that they cannot perform any of them efficiently—to name but a few examples.

In all the sometimes bitter debate over the coming year's



Defence Secretary Caspar Weinberger . . . favours the use of gigantic aircraft as flying bases for the new MX nuclear missiles.

budget, Mr Reagan has insisted that defence spending must at least go ahead far faster than any other major sector of Government activity. If his defence spending plans have run into trouble in Congress, it has tended to be for economic rather than military reasons.

If there were no recession, and budget deficits would miraculously vanish, he would be having much less of a hard time — although arguments about exactly how Pentagon money should be spent will always be interminable.

His initial plan for next year's budget called for a record peacetime increase of \$43.7bn in defence appropriations — to \$258bn — and the aim is to boost spending in the coming years from 5 to 7 per cent of gross national product.

To make such vast increases more acceptable, Mr Reagan has consistently taken the line that the U.S. must rearm in order to disarm — particularly in respect of nuclear weapons. The aim is to negotiate with the Soviet Union from a position of strength.

Moscow, the Reagan Administration never stops repeating, will have no incentive to negotiate seriously unless it believes the American build-up is genuine.

Mr Reagan would claim that his armed forces rebuilding programme is already well under way. Pay levels in the services have been sharply increased, bringing recruiting levels up to or above target (helped, of course by over 9 per cent unemployment), improving the quality of the new recruits and generally boosting morale.

Plans are being implemented to reach the goal of a 600-ship Navy by 1990 and Mr Reagan has launched a major, if controversial, "strategic improvement programme."

The B-1 strategic bomber, cancelled by President Carter, is being reactivated, despite Democratic opposition. The Democrats claim that the bomber is unnecessary, given that an even more modern "Stealth" radar-evading bomber will come into service only a few years after the B-1 and that production of the B-1 could actually delay development of the "Stealth."

Both arguments are rejected by Mr Caspar Weinberger, the hawkish Defence Secretary, who wants to replace the current ageing fleet of B-52s as quickly as possible. He says that there will be plenty of other uses for the B-1s once Stealth comes into operation.

Meanwhile, Mr Reagan is pushing ahead as fast as he can with the new intercontinental missile and the submarine-launched Trident 2. He has announced plans to equip the Navy with submarine-launched, nuclear-headed Cruise missiles and a strong drive to ensure that command and control *systems can survive a nuclear* attack.

But against this background of strategic modernisation, calls are increasingly being heard, both from the Administration and from the Services, for a renewed emphasis on conventional forces as well.

Mr Reagan wants U.S. forces to be able to confront the Soviet Union world-wide as well as to have the capacity to intervene rapidly in conventional regional conflicts. Pentagon planners are trying to ensure that the U.S. is capable of fighting simultaneously in widely separated areas such as Western Europe, the Gulf and Korea.

The service chiefs, perhaps not surprisingly, said last month that if such ambitions were to be realistic they needed 50 per cent more troops, ships and aircraft than they have now. They do not really expect to get that much—particularly at a time of budget austerity. But it must be doubtful if current American force levels could be stretched to meet such demands.

Among the main elements in the strategy are the build-up of the so-called Rapid Deployment Force, whose primary role is usually seen as the defence of the Gulf oilfields, the acquisition of new bases or staging posts around the world—particularly in Africa and the Middle East—and the arming of friendly nations which might help out in a crisis.

At the same time, military aid and/or arms sales are seen as having the additional purpose of binding such countries more closely to the U.S. and ensuring that they will continue to stay "friendly."

The Europeans will increasingly be asked to take over the role of U.S. forces in Western Europe that might be switched to a crisis area. Demands for a more permanent withdrawal of U.S. troops from Europe are again beginning to be heard in Washington—largely because of resentment at what are seen as some Western European governments' weak-minded attitudes towards the Soviet Union. But the Administration *has made it clear that it will* strongly oppose any such moves in Congress and they seem unlikely to succeed for the time being.

Mr Reagan's most highly-publicised concern has been over the so-called "window of vulnerability." This means the period in which, as he sees it, the Soviet Union can destroy most if not all of America's existing land-based intercontinental missile force in a single first strike, presenting Washington with the choice of capitulation or the destruction of many large U.S. cities, including Washington itself, in a second strike.

The "window," according to the Reagan Administration, is already open—hence the need for the new MX missile, which has somehow to be made less vulnerable than the existing Minuteman force.

Mobile missiles

"Somehow," is the problem. The biggest single defence controversy in the U.S. for many months has been over the basing of the MX. President Carter wanted to hide 200 of the mobile missiles in 4,600 silos in the Utah/Nevada desert, with the missiles secretly moving from hole to hole round a so-called "race-track" so that the Russians would never know exactly where they were.

The plan had major disadvantages: It would have involved, at vast expense, what was described as "the largest construction project since the building of the Pyramids." It attracted vociferous protests from environmentalists and local people (not least the Utah-based Mormon Church); and, its opponents said, it would simply encourage the Soviet Union—admittedly also at great expense — to build enough extra warheads to overwhelm the whole system.

Partly on these grounds, and partly because he did not want to proceed with a plan tainted by President Carter's defence policies, Mr Reagan rejected the extravagant scheme. It has proved much more difficult than he expected, however, to devise an acceptable alternative.

Mr Weinberger, and a team of *military experts appointed to* look into "survivable" bases, favour the bizarre solution of putting the missiles on a new type of gigantic aircraft, constantly patrolling the oceans, from which the missiles would be fired at high altitudes.

Mr Reagan has asked the team to think again, paying particular attention to the so-called "dense pack" notion whereby the missiles would be clustered close together on land and protected by interceptor missiles. The theory is that incoming Soviet warheads would have to be targeted so close together that the first one to explode would destroy all the others.

The lengths to which the Administration is going to find a basing system for the MX indicates a number of problems. Congress has made it clear that it will not fully fund the programme until a satisfactory basing system has been devised. But, more generally, the problem is how to choose locations for new land-based nuclear weapons in a democratic country and—at a time when the public at large is increasingly turning against nuclear weapons.

If the MX is finally put on board aircraft the many Europeans who object to Nato's plans to instal a new generation of American Cruise and Pershing missiles in Western Europe will have a powerful new argument. If nuclear missiles can no longer be deployed on land in the U.S. they will have every reason to ask why they should be deployed in Europe.

In the U.S. the movement for a "freeze" on the Super Powers' strategic weapons at current levels has spread like a brush fire and is gaining strong support in Congress. It is still ill-defined. A "freeze," though a catchy slogan, can mean many different things, depending particularly on its timing, and there is still little support in the U.S. for unilateral disarmament.

The unexpected strength of the movement has, however, already begun to affect the Administration's thinking on defence and disarmament policies. Combined with similar, though more pacifist, movements in Western Europe, it has become a major factor behind Mr Reagan's adoption of what is becoming known as his "peace initiative" on nuclear weapons.

Loose talk within the Administration about nuclear "war-fighting" and the possibility of winning a nuclear war has only strengthened the protest movement on both sides of the Atlantic.

In addition to the Geneva negotiations with the Soviet Union on the intermediate range Cruise and Pershing missiles in Europe, a new round of Strategic Arms Reduction Talks (Start) is now due to begin at the end of this month.

Mr Reagan is adamant that he wants the talks to lead to deep cuts in the level of strategic weapons on both sides, reducing the threat of nuclear war by making a first strike less likely to succeed and slowing the arms race.

His critics believe that the talks are a smoke screen designed to project a peaceful image while U.S. rearmament goes ahead. Certainly, Mr Reagan does not intend to abandon his strategic programme while the talks are under way. If he accepts a "freeze" it will only be when he believes that a genuine balance has been achieved.

There is no way the President is going to abandon what he sees as a historic mission to restore the U.S. to its rightful position as Number One Superpower—or at the very least First Equal.

Reginald Dale

The MX long-range nuclear missile, now under development, is 72 ft long and 6 ft 8 in in diameter

The Boeing E-3A airborne warning and control (AWAC) aircraft carries a radar antenna housed in a rotating radome

A long-range B-52 bomber: part of an ageing fleet

The recession has brought drastic changes to the traditional 3-year wage setting cycle

Pay bargaining in a harsher climate

THE CURRENT recession has had a dramatic impact on the relationship between management and labour in U.S. industry.

A series of major wage settlements in recent months has broken the pattern of the past decade, in which the level of pay and benefits has often seemed insensitive to underlying economic trends.

The question now being asked is whether these settlements are a thing of the moment—to be forgotten when the economy eventually recovers—or whether they mark a fundamental turning point in U.S. industrial relations.

Recent deals such as those covering the motor manufacturers, the meat packers or the road haulage industry have ignored some of the key elements which have shaped U.S. wage bargaining in the post-war years.

One such element is the three-year wage setting cycle, built around master contracts covering a number of major industries like steel or the auto companies.

Typically, the union would concentrate its efforts on one company within an industry, and then extend the terms agreed there across the whole sector.

In turn, these terms would influence what happened in other industries. Wage leadership was a fact of life, and there was never much doubt about what constituted the going rate.

This pattern started to change in 1979, when Chrysler in its fight for life did not follow General Motors' 1979 contract. Since then, the sanctity of the three-year contract has been challenged on a number of occasions, and so has the concept of an industry-wide settlement.

In the rubber industry, for instance, the bargaining process has been breaking down into quite small units as a result of poor demand for tyres and growing import penetration in other products. Thus, a couple of Firestone plants have effectively been removed from the master contract in response to closure threats, and other companies have made similar moves.

More strains

Similar strains are now being felt in the steel industry, where the current three-year contract extends through to 1983. The union has already granted special terms to three of the most vulnerable companies, and there is speculation that the master contract itself may be reopened before its expiry date.

U.S. Steel was refused the concessions it said were necessary to keep open its big works at Fairfield, Alabama, on the grounds that it was asking for terms which would threaten employment terms throughout the industry. But the line is becoming increasingly difficult to hold.

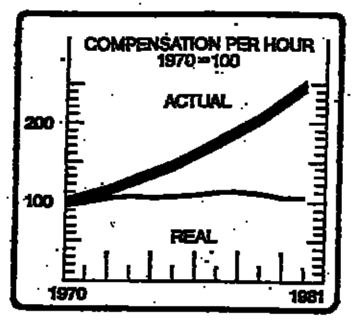
In addition, the principle of COLA clauses (cost of living adjustments) has also been undermined. The proportion of workers covered by such terms rose steadily through the 1970s, and added to the general inflexibility in wage terms.

Now COLAS are being suspended, however, or diverted to specific purposes like product development. Steel workers at A. O. Smith Corporation agreed to forgo COLA for a year so that the company could bid on better terms for an automotive contract.

As a result of these changes, there is at present no such thing as a "going rate" for wage increases.

Major collective bargaining settlements, reached in the first quarter of 1982, provided for average wage increases in the first year of operation of just 2.2 per cent. But 70 per cent of the workers covered by these agreements were employed by Ford or the trucking industry, and got no increases at all.

The remaining 30 per cent received awards averaging 7.8 per cent, and double digit increases were not that exceptional in the non-manufacturing sectors.



First quarter 1982 settlements provided for average wage rises of just under 2.2 per cent for the first year of operation

UNEMPLOYMENT

(Percentage)

	Total	Black and other	Blue-collar workers
1979 3rd	5.83	10.90	7.03
1979 4th	5.97	11.23	7.47
1980 1st	6.27	11.87	8.17
1980 2nd	7.30	13.23	10.50
1980 3rd	7.67	13.77	11.13
1980 4th	7.43	13.77	10.60
1981 1st	7.37	13.20	10.13
1981 2nd	7.40	13.70	9.80
1981 3rd	7.37	14.43	9.73
1981 4th	8.37	15.37	11.80
1982 1st	8.77	15.87	12.63

Source: Department of Labour

At the same time, the union movement has been visibly losing ground. The unionisation rate in 1980 was only 25 per cent, some 10 points lower than in the 1950s, and the number of requests for representation elections plummetted last year.

Changing employment patterns have played a part in this long-term decline, as resources have shifted away from the blue collar manufacturing industries of middle America.

Managers, too, have been taking a more aggressive line—inspired, perhaps, by President Reagan's tough treatment of the air traffic controllers.

Does this add up to a fundamental change in industrial relations, which will continue even after the recession which caused it has been forgotten? Audrey Freedman, labour economist at the Conference Board of New York, thinks it does.

"Even after the recession abates, auto, steel and other former pattern leaders will be under competitive pressure," she argues. Domestic manufacturers will continue to consider sourcing their purchases overseas, and overseas producers will remain a major force in basic industries.

Non-union manufacturers in the U.S. will add to the pressures, she adds, citing the spread of non-union mini mills in the steel industry, or the prospect of non-union truck assembly plants.

The counter argument is summarised by Professor Daniel Mitchell, of the University of California at Los Angeles.

In a recent Brookings working paper, he claims that "while the traditional mode of labour-management relationships may be disrupted for a time, there is little reason to expect permanent abandonment of such devices as the multi-year contract and the cost of living escalator clause. These devices reflect strong incentive for the parties to 'regularise' their relationship and avoid the risk of annual strikes."

Unions have made concessions in the past, he points out, with little lasting effect. In 1908, the Glass Bottle Blowers took a 20 per cent pay cut to reduce incentives for automation.

More recently, he finds a number of incidents in the period after the Korean war which have a lot in common with recent events, and he suggests that a "paradoxical mixture of management aggressiveness and experiments in labour-management co-operation" frequently seems to develop in periods of economic hardship.

For Professor Mitchell, it is clear that imminent plant closings, layoffs and bankruptcy have motivated the eye-catching labour agreements of the recent past. And union negotiators in industries which are not facing an imminent crisis have paid little attention to the concessions granted in the distressed sectors of the economy.

Fringe benefits

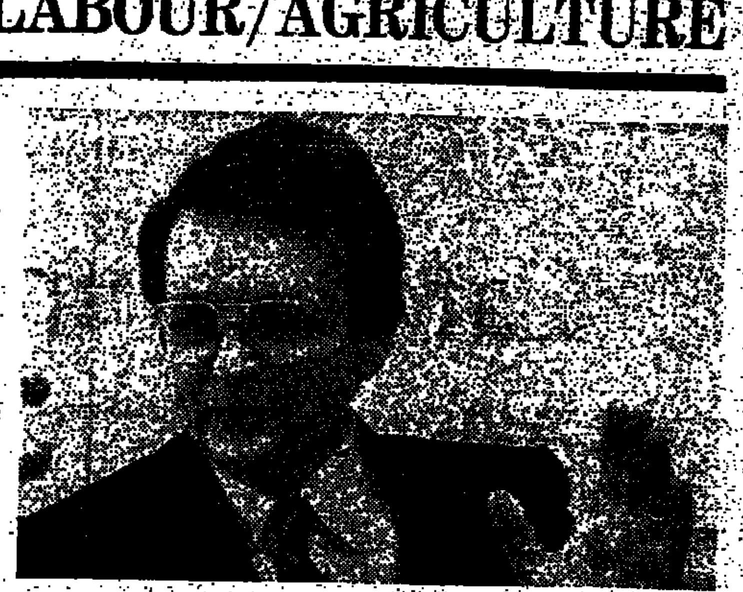
It is too soon to be dogmatic about the long-term implications of recent settlements. On the one hand, it is possible to over-dramatise the extent of the changes in, say, the motor company contracts, where deep layers of long accumulated fringe benefits remain undisturbed. Chrysler claims that medical costs add up to $325 on the wholesale price of each car it produces.

On the other hand, there is no denying that fundamental changes are under way in the structure of U.S. industry. One-in-six U.S. workers is now making goods for the export trade, more than twice the proportion of the early 1960s.

Although most economists expect some kind of economic recovery in the second half of this year, very few are projecting any worthwhile decline in an unemployment rate which is approaching 10 per cent.

For the first time in around 30 years, the big three motor car companies are now operating under different contract terms. If the decentralisation of bargaining continues to be extended, it is hard to think that things will ever be quite the same again.

Richard Lambert



Secretary of Labor Ray Donovan faces a turning point in industrial relations

SELECTED UNION AGREEMENTS

Employer(s) and Union(s)	Wage cut	Wage freeze	Existing contract prematurely renegotiated	Workrule restrictions eased	Other concessions
General Tire (Marion, Ohio); URW Jan 1981*	★	★	★		
Chrysler; UAW Feb 1981†	★	★	★		
Firestone (Memphis and Nashville); URW Feb 1981‡			★	★	★
Mesta Machine; USA May 1981§		★			
Goodyear (Topeka); URW Sept 1981¶			★		★
A. O. Smith; USA and six other unions Sept 1981‖		★	★		
Pan Am; TWU, other unions Oct 1981**	★	★	★		
International Harvester (Indianapolis); UAW Oct 1981††			★	★	
Trucking Management; IBT Jan 1982‡‡			★	★	★
Ford; UAW Feb 1982§§		★	★		★

Comments:

* $1.55 cut at plastics plant. Contract extended to August 1982. Supplemental unemployment benefits plan cancelled.

† Third round of Chrysler concessions. Previous escalator payments eliminated producing a cut in pay. All future scheduled and escalator increases suspended.

‡ Various restructurings of pay system reported.

§ Freeze accepted in first years of contract. Strike ended amidst threats to close plant. Some escalator payments to be "withheld" in second and third year.

¶ Cut in shift differentials.

‖ Employer got GM parts contract after getting unions to accept freeze.

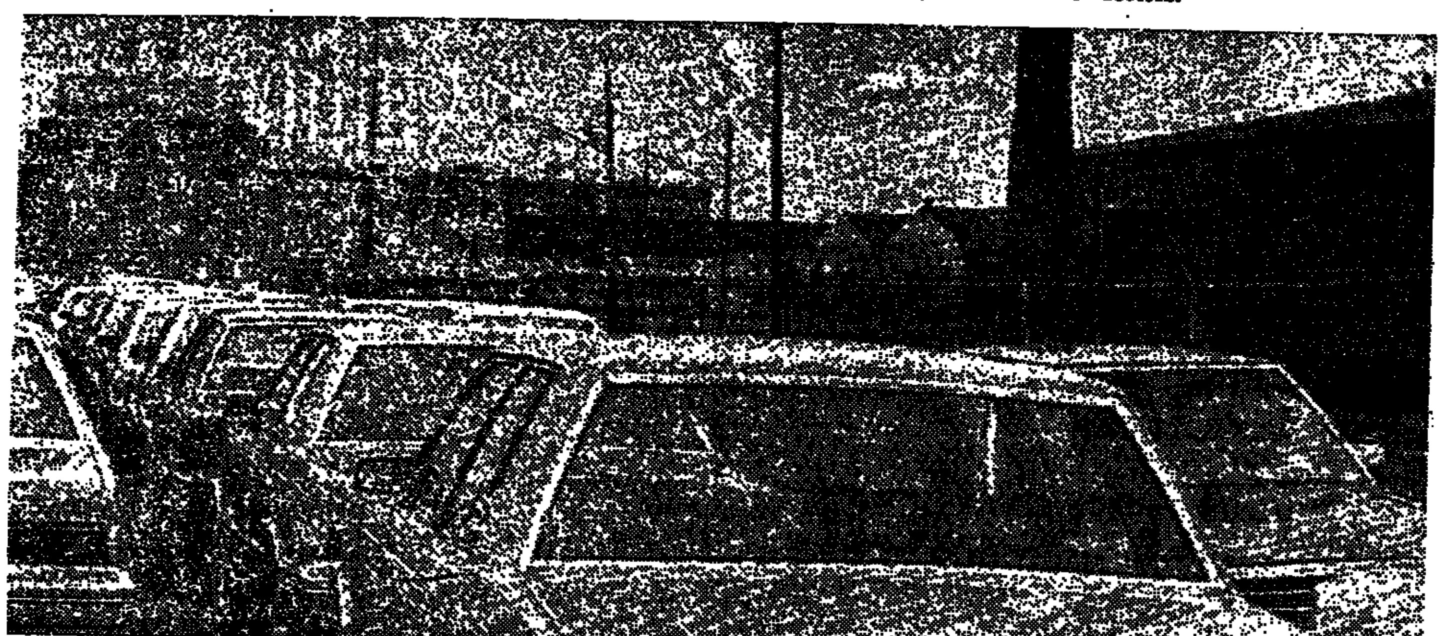
** 10 per cent wage cut; scheduled pay increases to be delayed.

†† Concessions made to aid employer to obtain contract to produce engines for Ford. Similar outcome reported with another union at Columbus, Ohio.

‡‡ New contract runs 39 months with possible reopeners in April 1984 based on industry conditions. Workers to receive a portion of escalator payment due at end of old contract with remainder diverted to fringes (up to 100 per cent). No guaranteed wage increases included. Employers agree not to open non-union subsidiaries. Rules limiting local activities of intercity drivers relaxed.

§§ New contract to run until September 1984 with reopener based on company sales. Elimination of basic (3 per cent) wage increases. Loss of personal leave and other time off. Suspension of escalator until December 1982. Deferred escalator increases to be restored in September 1983. Profit-sharing to begin in 1983. Income guarantees for workers with 15 years or more of seniority equal to 50-75 per cent of base pay until retirement age. Two-year moratorium on plant closings due to outsourcing.

Source: Daniel Mitchell, UCLA Inst. of Industrial Relations



Backlog of K-cars outside a Chrysler plant in Detroit: unsold cars caused a change in the pattern of pay bargaining

Income is expected to decline for the third consecutive year, says Nancy Dunne.

Farming policies bring chaos to a world of plenty

WAYNE Cryts is a hero to many American farmers, so when he was released from prison early this month it was good news in otherwise bleak times.

"I did what I did out of desperation," he says.

What he did was to break a law he thought unjust. His act of defiance took place on February 16, 1981, when with the help of some 300 farmers driving more than 75 grain trucks he seized 31,000 bushels of soyabeans he had stored in a Missouri grain elevator.

The elevator's owner had declared bankruptcy and a judge had ruled that the stored grain was one of his assets. Faced with disaster through the loss of his soyabeans, Mr Cryts ignored federal marshals and Federal Bureau of Investigation agents and raided the elevator to reclaim his own crop.

Although a Grand Jury refused to indict the 35-year-old farmer, a Federal bankruptcy judge had him jailed in April for refusing to name those who had helped him in the raid. By the time Mr Cryts was released, he had become a national hero. At a time when the farmers find themselves trapped by economic forces beyond their control, he is seen in rural America as a man who bravely took charge of his own destiny.

The country's 2.4m farmers are patriotic and law abiding. But, suffering through their third year of lean times, many now express disgust with Government agricultural policies they feel are either short-sighted or place unfair burdens on them.

First troubles

As the grain farmers see it their troubles began with President Carter's "partial grains embargo" against the Soviet Union, which he proclaimed after the Soviet invasion of Afghanistan. The embargo cost the U.S. dearly, according to a study by Schnittker Associates, a Washington-based economic consulting firm.

It cut the nation's economic output $11.4bn, cost 310,000 jobs, and resulted in lost personal income of $856m. Balance of payments losses of up to $2.5bn arose from lost grain exports and up to $1.9bn trade losses resulted.

The study assumed that trade would be seriously affected for at least three years and that wheat sales alone could be reduced by about 12m tonnes between 1982 and 1985. Despite efforts by Mr John Block, Secretary of Agriculture, to unload 23m tonnes of the huge U.S. grain surplus on the USSR, the U.S. has clearly become a residual, instead of principal, supplier of agricultural products to the Soviets.

Mr John Block, Secretary of Agriculture: efforts to unload a 23m tonnes grain surplus

Prices never recovered after the embargo. Ronald Reagan came to office promising to end the ban and never again to impose it except as part of a total trade embargo.

Then, in December, the President declared a list of "sanctions" against the Soviet Union for its role in the Polish repression and broke off negotiations for a long-term grains agreement. With five months to go before the current pact runs out, farmers see little chance of a new pact being concluded.

Meanwhile, farmers are suffering the consequences of Government economic policy as well as foreign policy. As much as high interest rates they have been devastated by rising production costs and debts.

The interest paid by farmers last year exceeded their net income for the first time in history. Nationally, farmers had $10 worth of debt for each $1 of net income. The Department of Agriculture has estimated that the nation's farmers were $194.5bn in debt on January 1, more than double the 1975 figure.

Farm income is expected to decline this year for the third consecutive year, while net income is expected to b half of what it was in 1979.

Foreclosures and liquidations are increasing. The Department of Agriculture's Farmers' Home Loan Administration, the sector's lender of last resort, foreclosed on 543 farms in five months from October to February, compared with 133 foreclosures for the whole of 1980. Other farmers do not show up in current statistics, but they are struggling with intolerable debt loads and trying to hold on long enough to hit one good season.

They are able to survive only through expensive government price support programmes which barely cover—and often fail to cover—the cost of the product and through additional income provided by off-farm jobs. It is estimated that half of all farmers have full-time or part-time jobs off the farm or that their wives work outside the house. Now, however, the industrial recession is cutting many of those jobs.

The Reagan Administration, in its own struggle to reduce budget deficits, has consistently warded off attempts by farm legislators to spend any additional billions on the agriculture sector this year. So as to decrease grain supplies, the Agriculture Secretary instituted an acreage reduction programme early this year, but he neglected to consult other grain-producing nations.

Output boost

It was not until the Ottawa meeting of other grain exporters in April that he attempted to enlist U.S. competitors in an effort to reduce world stocks. But despite record world production and huge surpluses Canada, Australia and Argentina are all planning to boost their output production again this year.

The U.S. Government has produced other farm programmes which are causing chaos. A generous dairy price support scheme, instituted at the behest of the powerful dairy lobby, has produced immense surpluses. Costs have jumped from $46m in the fiscal year 1979 to an expected $2bn in this fiscal year. In mid-May, the Government had been forced to stock 419m lb of butter, 684m lb of cheese (both of which are to be distributed to the poor) and 1bn lb of non-fat dried milk.

"It would be wrong to blame the milk producers for the overproduction problem," Mr Richard E. Lyng, Deputy Agriculture Secretary, told a Congressional committee. "The problem was not caused by the producers. It was caused by those in government who did not have the foresight to see what would happen with the passage of legislation that provided for inflexible adjustments in the price support levels which bore no relation to the market price.

The Reagan Government had no more foresight in regard to its sugar programme. In exchange for political support from the sugar state legislators, the President refused to oppose a price support scheme which spurred the producer price of domestic sugar to nearly 21 cents per lb.

To protect the support price and ensure that the Government would not have to buy up sugar, the Department of Agriculture raised the fees and duties on sugar imports—much to the distress of many Latin American countries the Reagan Administration is trying to help with its Caribbean Basin policy.

World sugar prices fell drastically and the fees and duties were insufficient to protect the support price. So the Administration was forced to institute a much-reviled sugar quota. On top of that, a spokesman for the Commodity Credit Corporation, which administers prices support programmes, has said that the Government will be obliged to buy up sugar stocks after all to maintain the price.

In the end, analysts say, sugar producers will be more hurt than helped by the entire programme. Domestic sugar prices are now so high they say, that food industry users are continuing a massive change-over to less expensive corn-based sweeteners.

U.S. farmers, reputed to be the most efficient and productive in the world, see little relief in the near future. The Reagan Administration has been pursuing a programme of export expansion, but while exports are rising, they are earning less because prices are lower. The strong U.S. dollar has also made American exports less competitive.

The farmers' pessimism was expressed in a telephone call-in programme arranged on Capitol Hill. Of the 14,000 callers, 14 per cent said they did not expect to survive in farming and ranching, while 32 per cent said this is their worst year ever.

But many continue to cling to hope—of a drought somewhere else, a war, or "a miracle."

"We're living on next to nothing, and they could come in tomorrow and foreclose on me," one caller said. Like Mr Cryts, he concluded: "But I'm not going to go without a fight."

Conservation and fuel switching reduce total consumption

Attempt to free energy from Government intervention

THE TWO national economic obsessions during the Carter presidency were inflation and energy. Inflation has now been superseded by interest rates, while the country's grandiose multi-billion-dollar plans to reduce, in Carter's words, America's "dark and dangerous dependence on unstable foreign oil" have all but been scrapped.

In May, Exxon abandoned a $6bn oil shale project in Colorado. The $44bn Alaskan pipeline designed to bring natural gas down from Prudhoe Bay has been postponed by another two years.

A whole string of alternate energy projects have been shelved. Most of the major oil companies are cutting back on planned energy expenditure. The nuclear industry is more than ever in a state of coma. Mines are being shut down all round the country as metal prices continue to slump.

In the past two years, there has been a dramatic turnround in American attitudes to energy and energy policy. The statistics tell the story with eloquence. After two successive oil shocks in the 1970s, America saw itself hostage to foreign oil; but by last April oil imports were back roughly where they were in 1971, when energy had not yet become a dominant preoccupation of Americans.

Barely five years ago, oil imports were accounting for as much as 52 per cent of the country's oil demand. By last year, they accounted for only 36 per cent and the Organisation of Petroleum Exporting Countries' share of the total has increasingly been eroded by the increase of imports from non-Opec producers.

Steady decline

Oil demand itself has been steadily declining to around 16m barrels a day and there are few signs of any substantial pick-up in the near future at least.

One simple explanation of the decline in consumption and demand, and hence in prices, is the recession. While the economic slowdown has clearly had an impact, it is by no means the only or principal cause of the huge changes that have taken place in the country's energy sector.

An interesting study recently published by the American Petroleum Institute shows that the biggest impact on the country's energy consumption patterns has come from conservation and from fuel switching caused by the higher oil prices of the 1970s. Americans are taking conservation seriously. Indeed, the U.S. economy appears to have played a relatively small role in the fall in petroleum consumption.

The API study concludes: "Clearly, since first-quarter real GNP this year was nearly the same as that of first quarter 1979, the weather-adjusted 4.5m barrels a day fall in petroleum demand this year versus first quarter 1979 (a decline of over 20 per cent) can hardly be attributed to the economy."

The study then goes on to say: "This drop instead is largely explained by price-induced conservation, and, to some extent, fuel-switching. Again, this year's first-quarter real GNP was about 2 per cent below a year ago, while petroleum demand was down much more—about 9 per cent on a weather-adjusted basis—indicating once more that conservation and fuel switching are the primary causes.

Conservation has thus helped as much as the industrial recession to intensify what has now become known as the oil glut. In large measure, the Americans' new conservation philosophy was a product of President Carter's energy policies—one of the areas where the former President is given the greatest credit for success.

But Mr Carter's energy policies as a whole differed radically from President Reagan's approach. In turn the new Reagan approach has done as much as Mr Carter started in changing the country's general attitudes to this key sector.

Mr Carter's approach was based fundamentally on the idea of state intervention to assist, support and promote energy development to make the U.S. less dependent on foreign oil. While he began the crucial trend to deregulate oil and gas prices, he also set up the so-called Synthetic Fuels Corporation, which was to support the country's emerging alternate energy industry with some $80bn of federal money.

He pushed for accelerated conversion by utilities from oil to coal, which is in abundant supply in the U.S. Despite the raging controversy over nuclear power exacerbated by the Three Mile Island tragedy which still hangs over the entire future of the industry, President Carter also sought to push forward the development of nuclear plants.

In sharp contrast, President Reagan has sought to break the energy sector loose from Government intervention and control and has attempted to let the laws of the market place dictate energy policy. His first big decision after taking office was to lift all remaining price controls on domestic oil.

He has since attempted to speed up deregulation of gas prices, but this has become entangled in a political debate with the President preferring to shelve any gas deregulation proposals until the outcome of the mid-term Congressional elections, in November.

In a sense, President Reagan's approach to energy policy is summed up with the changes that have taken place in the Synthetic Fuels Corporation. The Government now intends to support only those alternate energy projects that make sense in the market.

As Mr Edward Noble, chairman of the Synthetic Fuels Corporation board, said: "If the private sector doesn't want it, why should the Government want it?

A scramble

Deregulation of domestic oil prices has sent U.S. oil companies scrambling to search for and produce more oil within the country. Last year was a record for domestic drilling activity. According to the Hughes Tool Rotary Rig count, a record-setting 4,530 rigs were at work in the last week of December.

At any given time last year, the average of rigs at work was 3,970. And although the rig count has since declined in the face of the deepening glut in the first three months of the year, it is again showing signs of picking up.

At the same time, domestic crude output at 8.7m barrels a day last April was 1.7 per cent higher than in April 1981. Although two-thirds of this increase represents new production from Alaska's Kuparuk Field, which came on stream in December, since the middle of last year, according to the API, production in the other states, has, on balance, exceeded the levels of the year before—in stark contrast to the 300m bd, average decline in domestic production of the 1970s.

The good news for the American consumer and motorist has not been all that great for the oil companies. After seeing their profits leap after the oil price increases, the first quarter of this year proved disappointing to say the least. Oil company earnings have been falling. Indeed, one or two companies even reported a loss largely as the result of sizeable one-time write-offs connected with withdrawals from unprofitable businesses; and in turn the oil companies have had to reassess their strategies.

Mr Clifton Garvin, the chairman of Exxon, said recently: "While the lower oil prices of recent months are clearly good news to inflation fighters and consumers of energy they are a mixed blessing to those who must concern themselves with long-range energy development."

He claimed that the reduced cash flow of the oil industry and the greater uncertainty about the future have led to a reduction in new drilling. "Unconventional energy development is in still greater trouble. Almost every day an announcement comes out that another synthetic fuels project is being cancelled or slowed down," he said.

Mr Garvin added that there are some hints that Americans in general may be beginning to relax their commitment to conservation. "I have read that recent automobile sales data show a modest trend back toward bigger cars," he said. Even if we assume that these various straws in the wind will reverse themselves, as—sooner or later—they probably will, it would take a very brave man to put all his chips on being back on trend overnight.

"The things that need to be done to bring greater security to our long-range energy arrangements have quite clearly come up against some perplexing interim developments."

A growing number of critics of Reagan energy policies are also beginning to warn that a mood of complacency about energy may be seizing the country. They argue that although the market is now enjoying a phase of moderate oil prices these prices are unlikely to continue to fall.

Indeed, there have recently been signs that oil prices and prices of some energy products are beginning to rise again. The most obvious example is petrol prices. But industry analysts also believe that the current rise in prices is only part of natural market adjustments and the medium-term outlook still argues strongly for flat prices. The long-awaited U.S. economic recovery is unlikely to prove a strong stimulus because as long as interest rates remain sustained the recovery itself is likely to be short-lived.

Paul Betts

OIL STATISTICS

	Production (m barrels)	% of Opec
Year	U.S.	production
1973	3,995	35
1976	3,589	31
1979	3,726	33
1980	3,753	38
1981	3,772	45

Net oil imports (1981)	Value
Country	($bn)
U.S.	70
Japan	60
France	23
Germany	29
UK	—5

Source: Petroleum Economist.

Synthetic fuels fall victim to Reagan cutbacks

THE U.S. synthetic fuels industry has become perhaps the biggest victim of the Reagan approach to energy and the international oil glut.

Ambitious and expensive projects to develop the country's vast resources of oil shale, to build coal liquefaction and gasification plants, and to produce energy from a variety of alternate energy sources have, in recent months, been falling by the wayside.

Despite their public posture, the major oil companies (with one or two exceptions) are no longer enthusiastic about synfuels. Even Occidental Petroleum, whose chairman, Dr Armand Hammer, once said, "you can never drill a dry hole in shale," suspended its huge $3bn Cathedral Bluff joint shale project with Tenneco, in Colorado.

The U.S. Government itself, together with the Japanese and the West Germans, pulled out of a joint $1.5bn coal liquefaction project in West Virginia. And Exxon has now abandoned its $5bn to $6bn Colony shale project with Tosco, in Colorado, which was seen as the centre-piece of the emerging U.S. synfuels industry.

Former President Carter launched the great American synfuels programme in 1980; it was designed to produce 500,000 barrels a day of synfuel in the U.S. by 1987, and as much as 2m b/d by 1992.

To achieve these goals, the Government set up the Synthetic Fuels Corporation to administer a $88m federal programme to support the development of the country's synfuels industry.

Perceptions about future energy supplies in the non-Communist world have since changed dramatically. Moreover, the Government's philosophy regarding synfuels has also radically shifted. As a result, the sense of urgency to develop in the U.S. the world's largest synfuels industry has disappeared.

The Reagan Administration has, from the very start, placed the emphasis on minimising Government intervention in business and industry. In so doing, it has scaled down the role of the Synthetic Fuels Corporation and warned that the Government was unlikely to pump billions of federal dollars to support major synfuel programmes.

The combination of the new Government approach and the declining cash resources of even the biggest of the oil companies has now put the future of the synfuels industry in doubt. As the Bankers Trust Company warned: "Billion-dollar plus investments, as in synfuel plants, carry a significant risk, one that private firms often find difficult or impossible to assume individually."

The New York-based bank also adds: "With inflation and interest rates at near record levels, the opportunity cost of a forgone investment in another area such as conventional oil and gas production makes synfuel development difficult to justify economically at present."

As Exxon's decision to shelve the Colony project illustrated the costs of building a synfuel plant, and completing it, are unknown. With high interest rates, construction costs have risen dramatically. Between 1980 and this year, Exxon revised its cost estimates for Colony from about $3bn to between $5bn and $6bn.

But with 90 per cent of the country's fossil resources consisting of oil shale, coal and tar sands, critics of the Government's policies towards synfuels have warned that the U.S. may deeply regret it in later years if synfuel development is now allowed to be halted.

Ultimately, these critics claim, the current abundance of conventional oil supplies and moderate prices will end and there will be a real need to exploit alternate energy resources.

In response to these critics, the Synthetic Fuels Corporation says the priority now is to develop the necessary infrastructure, technology, and know-how to ensure synfuels can be developed when their time comes, rather than spend billions of federal dollars in programmes with little economic justification at the current time.

ANOTHER TAKE-OVER BATTLE IS UNDERWAY, SAYS PAUL BETTS

The 'great oil company auction' reflects changing attitudes

FOR A brief three months, oil companies, their investment bankers, their lawyers and all those who jump and shriek on Wall Street enjoyed a lull in what has been a remarkable 12 months of hectic take-over fever.

The U.S. oil and minerals sector had never seen anything quite like it.

Two of the country's largest oil companies, Conoco and Marathon Oil, were acquired for record sums by Du Pont and U.S. Steel, respectively.

Standard Oil of Ohio bought Kennecott. The Kuwaiti Government took over Santa Fe International. Elf Acquitaine of France took over Texasgulf.

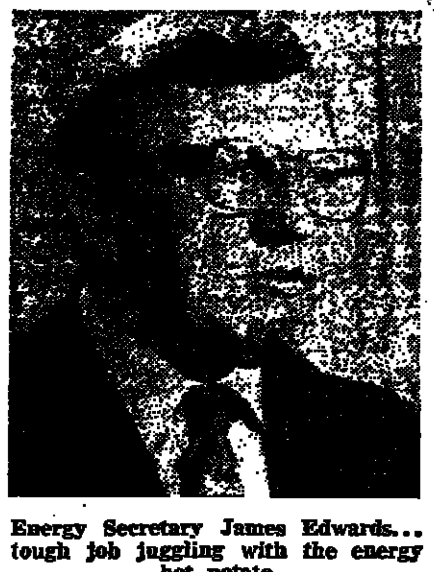
In a period of about six months last year, more than $25bn worth of energy assets changed hands. And now, after a brief pause, another major take-over battle between Cities Service, the country's 20th largest oil company, and Mesa Petroleum, a smaller independent Texas concern, is under way.

It has been called the "great American oil company auction." It has been the product of several factors, some interrelated. At the same time, more broadly, it reflects the significant changes that have taken place in the U.S. energy market and changing attitudes to anti trust and competition.

In a sense, a whole series of major take-over opportunities presented themselves when oil company stocks fell from grace on Wall Street.

In the face of dwindling profits caused by the international oil glut, the large institutions moved out of oil stocks with a vengeance.

In turn, these depressed stock prices offered unique opportunities for companies, both in the U.S. and abroad, to acquire domestic U.S. oil and gas reserves at a relative bargain.



Energy Secretary James Edwards... tough job juggling with the energy hot potato

Indeed, it became cheaper to buy oil on Wall Street than to go out and drill for it.

Moreover, U.S. oil and gas reserves have traditionally been seen as a major prize because of their security and proximity to the world's largest consumer of energy. The prize was made all the more attractive with deregulation of domestic oil prices last year.

With the advent of the Reagan administration, expectations rose that the general approach to anti trust and competition would change dramatically in the country. For years, the idea of one major company buying another seemed a non-starter.

But the new anti trust busters of the Reagan administration indicated right from the start that big was not necessarily always bad. In turn, this prompted a number of major companies to test the new anti trust climate to see how far they could now go.

Mobil, the country's largest oil company after Exxon, took the lead in testing the anti-trust climate. It bid for both Conoco and Marathon Oil, but both times failed to win the take-over contest. Indeed, what emerged was that while anti trust application has changed in respect of size, it has not in terms of the effects a merger can have on competition.

Mr William Baxter, the head of the U.S. Justice Department's anti trust division, has indicated that while so-called vertical mergers are acceptable, that is a merger which enhances a company's vertical line of intigration, horizontal mergers must continue to be carefully scrutinised.

In the case of Mobil's two unsuccessful attempts to take-over another large integrated oil company, the courts blocked the oil giant because of possible anti-competitive implications in certain markets if it were allowed to acquire another major oil company.

But despite the two Mobil defeats and a clearer definition of Reagan anti-trust policies, take-over fever has by no means disappeared in the U.S. oil sector.

What is now clear, however, is that so-called hostile take-over bids by large oil companies appear to have little chance of success.

On the other hand, friendly deals continue to stand a far better chance even if they raise some horizontal anti trust objections.

Companies are struggling with a heavy debt burden and surplus manufacturing capacity, as **Richard Lambert** reports

Startling downturn in sensitive manufacturing sectors

THE Economic Recovery Tax Act of 1981, signed into law by President Reagan last summer, was the broadest piece of U.S. taxation legislation since 1945. It combined the largest personal tax cut in U.S. history with a number of special incentives designed to stimulate capital formation.

But industry has had other things on its mind. Capital spending peaked in the third quarter of last year, and with capacity utilisation in U.S. factories now running at only a little over 70 per cent, investment seems likely to decline well into next year, after falling by perhaps 4 per cent or more this year.

That would mark four consecutive years of flat or falling capital spending in the U.S.

In some sensitive sectors, the scale of the downturn has been startling. Machine tool orders fell by 45 per cent in the first quarter of this year. Steel industry executives are now talking about shipments of little more than 70m tons this year, compared with 100m tons in 1979.

This represents more than just a cyclical downturn. The current year will feature in the economic record book on a number of painful counts—such as unemployment, the highest for more than 40 years; business failures, which are likely to hit a post-war peak; and the downturn in company profits, which in the first quarter of the year was the third steepest on record.

There are two key features of this recession and together they have upset the Reagan Administration's plans for using tax policy to stimulate industry.

One is the very high level of real interest rates. This has had a devastating impact on a whole generation of finance directors, who were brought up to believe that the more their companies borrowed during an era of inflation the richer their shareholders would become.

Companies throughout the manufacturing sector are now paying the price in the shape of a heavy debt burden and substantial surplus capacity.

The other key feature is that U.S. industries are far more exposed to international competition than they have been in the past, and not only in their export markets. The table shows the market share of U.S. companies in a number of major sectors of the domestic market:

	per cent
Passenger cars	81.3
Steel mill products	83.3
Electrical components	81.5
Farm machinery	81.0
Industrial inorganic chemicals	78.5
Radio and TV receivers	40.0
Footwear	66.2
Metal-cutting machine tools	74.1
Food-processing machinery	77.5
Metal-forming machine tools	73.5
Textile machinery	55.8

Source: Department of Commerce

In all these sectors, U.S. companies had more than 90 per cent of their domestic market in the 1960s, and a number of the more important groups—most obviously steel and passenger cars—had distinctly cartel-like characteristics.

Thus production was concentrated in the hands of relatively few companies, all of which had comparable contracts of employment with their workers. High production costs could be passed on to customers without too much difficulty.

For example, wages in the motor industry were 43 per cent higher than for the private non-agricultural sector generally in 1971, and 69 per cent higher 10 years later. Competition tended to focus as much on areas like design or delivery as on price or technology.

The impact of import competition on these industries can perhaps best be compared with the changes brought about by deregulation on companies in the airline, road transport or stockbroking businesses. For a time, cartel-like conditions may continue after the change, but if there is a really grave recession, like the one that is now drawing to a close, the shakeout will be ferocious.

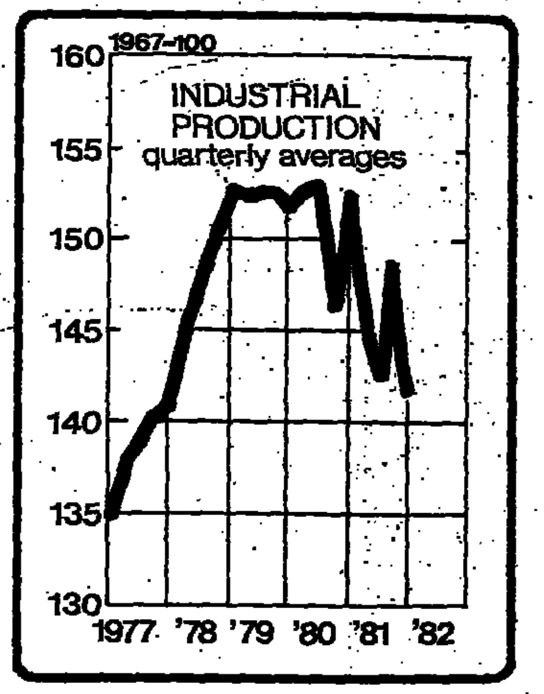
In the past few months, U.S. companies have been forced to take decisions about production and manning levels that they were able to postpone or ignore in earlier years. U.S. industry is in the painful process of making a once-for-all adjustment to a new and more competitive environment.

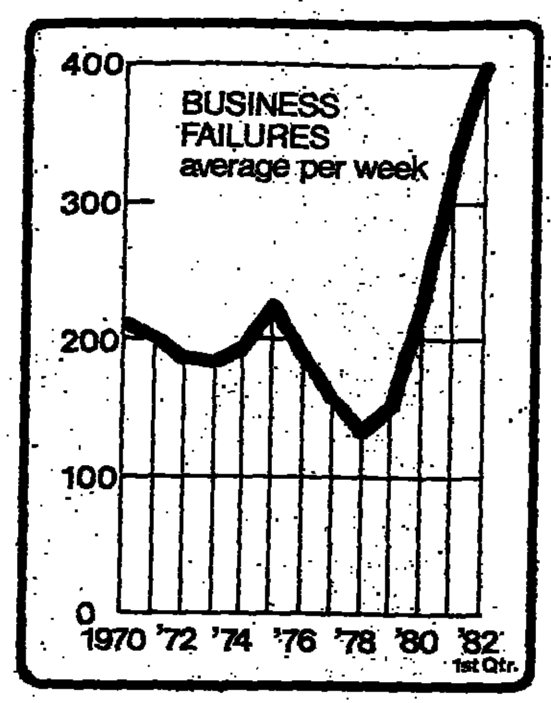
Big industrial companies no longer assume that an upturn in economic activity is all that is needed to restore their health. The best symbol of the change is General Motors' decision to hold talks with three Japanese car manufacturers about the scope for co-operation in producing small cars. Only two years ago such a move would have seemed highly improbable.

General Motors still believed that the financial and engineering strengths which had served it so well in the past would be enough to pull it through its current problems. But now it seems to be conceding that in certain products it cannot hope to make money in head-on competition with high-volume foreign producers.

In this changed climate the success stories of the future may concern two categories of company. One will concentrate its resources on established industries, seeking profitable niches where it can establish a strong market position and investing substantial sums in any commodity-type operation it might have with a view to becoming the low-cost producer.

The other will be innovative and build itself up through successful research and development and high productivity growth. Companies and industries which fail to adapt to these patterns are already falling by the wayside.



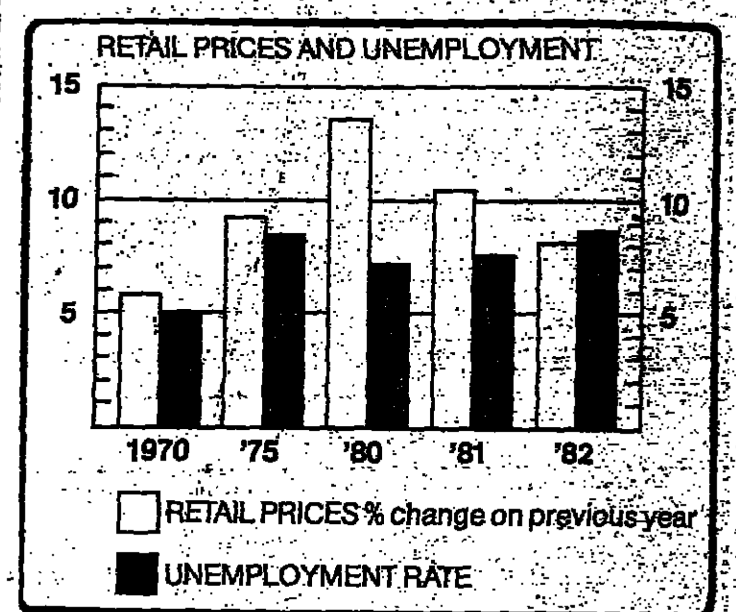


CORPORATE PROFITS BY INDUSTRY

($m, annualised figures, current prices)

	1976	1979	1981: I	II	III	IV
Total domestic	137.4	182.4	192.3	182.3	184.6	166.4
Financial sector	17.1	31.6	28.6	24.3	22.7	22.4
Non-financial	120.3	150.8	163.7	158.0	161.9	144.0
Manufacturing	69.2	88.9	90.4	84.4	85.1	68.0
Primary metals	2.1	4.2	5.1	3.8	3.7	1.6
Electric/electronic	3.4	6.3	8.4	6.2	6.6	5.4
Machinery (non-electric)	6.3	8.8	8.7	8.2	8.6	8.9
Motors	7.2	4.3	−1.6	2.7	−2.2	—
Petroleum/coal	12.6	18.3	21.6	19.6	26.4	17.0
Total foreign	14.3	30.3	25.4	22.8	24.5	24.0

Source: U.S. Department of Commerce.



INDUSTRIAL PRODUCTION BY SECTOR

(Yearly averages, 1976 = 100)

	Iron & Steel	Non-elec. Mach.	Elec Mach	Elects. Comps.	Motor vehicles & parts	Aero-space Equip.
72	107	116	122	159	136	82
73	123	134	143	210	148	89
74	120	140	144	213	128	90
75	96	125	116	155	112	85
76	105	134	135	201	142	82
77	104	144	145	214	161	86
78	114	153	160	247	170	97
79	113	164	175	296	159	112
80	92	163	173	305	119	115
81	100	171	178	312	122	110
82	79*	161	171†	315*	98†	103†

* Two months. † Three months.

Source: Federal Reserve System.

Product innovation: key to growth

PRODUCT INNOVATION has been the key to rapid growth in U.S. industry over the past decade. The development of new products was a key growth element in three-quarters of the fastest-growing sectors in the period, according to a recent analysis by the Bureau of Industrial Economics.

The study highlights the performance of 45 industrial groups which grew twice as fast as manufacturing industry as a whole between 1972 and 1978. Their compound annual growth rates ranged from 6.4 per cent to 19.1 per cent.

Product substitution was the second most frequently mentioned factor, occurring in basic product industries like plastics as well as finished goods such as computers. Price was another important consideration. In no case was export expansion a growth factor unless accompanied by product innovation.

Growth leaders are distinguished from the general run of manufacturing industry by their above-average productivity gains, their more moderate rate of price increases, their greater reliance on export markets, and their rather higher level of concentration around a few leading companies.

Looking ahead, the bureau projects that 20 of the 45 study industries will not continue their rapid expansion in the period between 1979 and 1985. The slowdown in the car-manufacturing and housing industries will hold some of them back. So will a less exciting rate of growth in the energy-saving sectors.

On the positive side, nine of the 45 are expected to achieve faster growth rates up to 1985. These are semi-conductors, process control instruments, office machines, measuring and controlling devices, fabricated pipe and fittings, instruments to measure electricity, radio and TV sets, structural wood members, and environmental controls.

PROFITABILITY COMPARISONS

Manufacturing industry

	U.S.	Germany	UK
Profit shares*			
1955-59	21	38	28
1976-79	18	21	14
Net rate of return†			
1955-59	28	38	17
1976-79	22	17	6

* Defined as not operating surplus as percentage of net value added. † Defined as not operating surplus as percentage net capital stock of fixed assets (excluding land).

AUTOMOBILE SALES AND INVENTORIES

		Domestic Car sales	Foreign Type sales	Foreign as of % total
1979	I	9.13	2.30	2.01
	II	7.87	2.43	23.7
	III	8.50	2.23	20.8
	IV	7.40	2.37	24.2
1980	I	7.87	2.73	25.8
	II	5.43	2.07	27.5
	III	6.40	2.30	26.4
	IV	6.60	2.47	27.2
1981	I	7.49	2.67	26.4
	II	7.57	2.23	28.6
	III	6.93	2.20	24.1
	IV	5.20	2.23	30.4
1982	I	5.97	2.30	27.9

Source: U.S. Department of Commerce

CAPACITY UTILISATION IN MAIN INDUSTRIES

	All manufacturers	Motors	Chemicals	Primary metals
1972	83.0	97.0	83.5	80.0
1975	77.0	83.3	74.3	72.8
1976	81.3	93.3	79.8	78.5
1977	82.8	99.3	78.0	80.0
1978	83.8	95.3	80.3	84.5
1979	82.5	83.8	82.8	84.3
1980	77.5	66.8	78.5	73.5
1981	76.0	63.3	75.0	73.3

Older industries are hit hardest

PROFOUND SHIFTS are taking place in the deployment of economic resources in the U.S. For a decade and more, the service sectors have been expanding much faster than manufacturing industry, and the South and South West have been growing at the expense of the old industrial heartland of the North.

These trends may well have been accelerated by the current recession. For example, more than twice as many people now earn a living by selling hamburgers for McDonald's as are employed by U.S. steel and more people now work in the retail and wholesale trades than in the whole of U.S. manufacturing industry.

In 1970, by contrast, the number of manufacturing workers outstripped those in the wholesale and retail trades by nearly 50 per cent.

Services

Within the service sector, some activities have shown astounding growth rates. Medical and hospital services stand at the top of the list, having almost doubled their share of total employment during the 1970s, while growth in areas like entertainment and recreational services has also been well above average.

Regional shifts have been nearly as marked. Between 1968 and 1978 (two broadly comparable years in terms of the economic cycle) factory employment increased in the South and West by more than 900,000 and 300,000 respectively, but it declined in the North East by nearly 800,000.

The North East's share of total employment slipped from 25 to 22 per cent over the period, while the current map of unemployment in the U.S. shows that the recession has been causing far more pain in states like Ohio and Indiana than in Colorado or Arizona.

There are intangible reasons for these changes, such as the quality of life—it's a lot more sunny down South—or swings in regional political power. The Federal Government has also played a big part, most obviously in the allocation of Defence spending.

In the quarter century up to 1976, the South increased its share of prime military contract awards from 11 to 25 per cent, while the west's share jumped from 16 to 31 per cent.

One explanation is that the industrial heartland of the North East has by its nature a heavy commitment to traditional industries like steel or shipbuilding, whereas new industries such as aerospace or electronics have tended to emerge in states like California or Texas.

As defence requirements have shifted from metal-bashing to missiles, Government allocations have favoured the regions which are strong in high technology products and skills.

In a period when established companies have been desperately trying to lower their production costs, the south must also have benefited from its history of relatively low wage rates and of non-unionised labour. As a region, it has the lowest exposure of any to industries with above-average wages, like primary metals or mechanical engineering, which have also tended to be those that have suffered most from foreign competition.

Although there obviously are some high-paying industries in the south, there are still very big regional differences in wage rates. For instance, average weekly earnings in Georgia this March were just under $257 a head, compared with more than $444 in Michigan. As it happens, the unemployment rate in Georgia that month was 7.7 per cent, compared with 17 per cent in Michigan.

These changes are of more than academic interest and have important implications both for Government and business. In a vast and highly diversified economy like that of the U.S. some sectors can be unaffected by economic pressures which are wiping out whole communities in other parts of the country.

Richard Lambert

UNITED STATES IX FOREIGN INVESTMENT

Fears over land deals with foreigners

IF THE influx of foreign capital into U.S. industry and commerce makes some Americans nervous, the movement of Europeans and others into agricultural land rouses feelings which seem closer to paranoia.

"We are going to be getting into the situation where we not only depend on foreigners for energy, but also for the very food we eat," one emotional Congressman claimed recently.

If that is so, it will be an extremely long-drawn-out process. In its latest report on the situation, the U.S. Department of Agriculture said that, at the end of last year, 12.7m acres of U.S. agricultural land were in the hands of foreigners. This is less than one per cent of the farmland in the country. Increases in sales of land to foreigners have been steady rather than dramatic, the report shows, and in general, contrary to popular belief, there has been no discernible impact on land prices or the use to which the land is put.

Even so, the emotions stirred by this modest influx of foreign land buyers have prompted the legislators to act.

Since 1977, eight of the 30 U.S. states which have some form of restriction on foreign land ownership have strengthened existing laws or introduced new regulations to control and monitor the sales.

Eager to soothe the fears of the rural establishment, the Department of Agriculture made clear in its latest annual review that it found:

- No evidence that foreigners were buying the best land.
- No evidence that the new owners were changing farm land to other uses.
- And it reproached the complainants, stating that there was evidence that overseas buyers seemed more willing than native Americans to make improvements to their holdings.

Most foreigners moving into the U.S. have bought land in the south and south west of the country. Florida, Texas, New Mexico, California and Oregon seem particularly popular.

There is also a particularly heavy concentration of foreign interest in Maine, where overseas buyers have taken over some 2.6m acres or 14 per cent of all the farmland in the state. Almost all of this, however, is in the hands of three timber companies, believed to be Canadian.

Foreign institutions, such as pension funds, appear to have little interest in U.S. farmland. Corporations account for more than 10m acres of the land in overseas hands, and most of the balance is accounted for by the 3,890 private investors, each with an average holding of 190 acres.

CHRISTOPHER PARKES

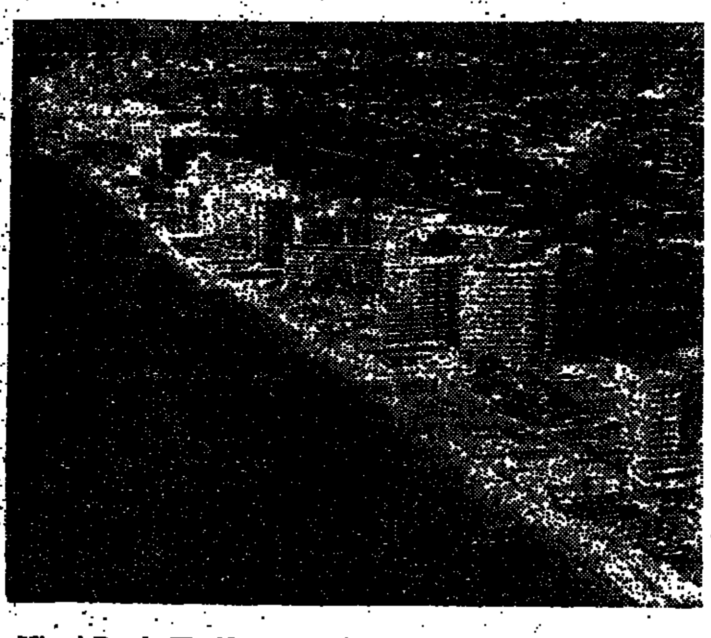
NET PURCHASE OF U.S. EQUITIES IN 1981

(Figures in $m)

	1st qtr	2nd qtr	3rd qtr	4th qtr
Europe	1,302	1,666	222	323
Belgium/Luxembourg	10	77	23	—
France	210	560	87	19
West Germany	73	10	−105	− 4
Netherlands	57	55	− 72	− 33
Switzerland	227	161	− 86	− 22
UK	707	765	355	353
Canada	221	472	82	− 32
Latin America	92	105	−260	25
Bermuda	44	30	− 58	5
Netherlands Antilles	85	51	−196	− 16
Asia	25	636	652	136
Hong Kong	30	84	55	− 14
Other Asian countries†	42	368	567	197
Total	1,665	2,899	659	443

† Includes Bahrain, Iran, Kuwait, Oman, Saudi Arabia and the United Arab Emirates.

Source: Securities Industries Association.



Miami Beach, Florida: a sunshine state popular with foreigners

Overseas investors take a more cautious view

RATTLED by the recession and the Reagan Administration's budget dilemma, foreign investors have recently been taking a more circumspect view of the U.S. equities market.

At $800m in the first two months of the year, net purchases—purchases after taking account of sales—of U.S. stocks by overseas buyers were "definitely on the low side," according to officials at the securities industry association in New York.

They have, however, picked up from the tail end of last year, when in the last quarter foreigners' purchases were only $443m. Despite this falling off, the trade had picked up enough steam earlier in the year for dealings to break new records over the year as a whole.

For 1981, foreign investors' net purchases of U.S. equities rose to $5.7bn, $300m more than the record set in 1980. The previous high, recorded in 1975, was $4.7bn.

Most of last year's progress was made in the first half of the year. There were those who believed a boom year was on the way as the U.S. economy appeared to be standing up to the recession better than most of the rest of the world. Later, as growth rates fell and the U.S. drifted into the economic mire which had bogged down most of Europe, overseas enthusiasm for investment waned.

The sales burst which characterised the first half of last year was fuelled mainly by the vigorous expansion of the U.S. economy, which was growing at an annual rate of almost 9 per cent in the first quarter. By the third quarter this rate had dropped to 1.4 per cent and overseas investors responded in predictable fashion, with their equities purchases in the last three months fading away to the lowest quarterly level of the year.

As in 1980, UK investors were the leading buyers from Europe, accounting for more than 60 per cent of all European purchases.

Nervousness

Still, as economic prospects showed signs of improvement at home and as the U.S. began to feel the effects of recession, British buying tailed off to the extent that second half purchases were less than half those in the first six months of the year.

The French, too, who had piled nervously into the U.S. following the election of the first Socialist administration in 23 years, were quick to reduce their presence there with the onset of recession.

Belgium and Luxembourg, net sellers in 1980, made net purchases last year totalling $110m. Dutch investors, also net sellers in the previous year, moved back to purchase a net $57m worth of equities in 1981.

Although the early figures for this year indicate some re-awakening of interests, foreigners are still wary, and seem likely to remain so while President Reagan struggles with his budget and while the economic horizon remains cloudy—and despite the fact that the dollar has more or less held its own on the foreign exchange market.

High U.S. interest rates during the year served to encourage foreign buyers to increase their holdings of U.S. Treasury bonds and notes. Holdings leapt by $15.2bn to $66bn. Net purchases in 1980 were a modest $4.9bn, the SIA reported recently.

NET FOREIGN PURCHASES AND TOTAL FOREIGN HOLDINGS OF U.S. TREASURY NOTES AND BONDS IN $M, 1980-81

	1980		1981	
	Net purchases	Holdings	Net purchases	Holdings
Europe	−1,655	17,900	1,994	19,894
West Germany	−2,889	7,101	1,137	8,238
Belgium/Luxembourg	−383	282	105	387
UK	947	7,183	−474	6,709
Asia	6,307	26,112	12,577	38,689
Japan	−1,696	9,479	1,301	10,780
Other Asian countries	7,672	15,867	11,307	27,174
All countries	4,986	50,981	15,161	66,142

OPERATIONS OF FOREIGN AFFILIATES OF U.S. MULTINATIONALS

	Total affiliates	Total assets ($m)	Total sales ($m)	Employees ('000)
World	23,641	490,178	647,969	7,197
Developed countries	15,603	359,583	449,015	4,981
Developing countries	7,627	115,822	183,219	2,175
Latin America†	4,804	75,041	73,287	1,347
Argentina	269	2,959	4,075	108
Brazil	767	17,331	19,340	436
Mexico	1,078	9,515	10,833	370
Bermuda	342	17,241	14,414	2
Venezuela	451	6,135	6,436	101

† Includes Central America and the Caribbean.

Source: Survey of Current Business.

Although the European countries swung from net sellers of $1.7bn in 1980 to net purchasers of $2bn in 1981, the lion's share of the activity originated in Asia, particularly the oil exporting countries, the SIA said.

Asian countries' holdings of Treasury paper jumped 48 per cent last year to $38.7bn. Japan which made net sales of $1.7bn in 1980, moved back and made net purchases of $1.3bn, last year.

Opec holdings, however, rose even more sharply, with oil producers' purchases accounting for three-quarters of last year's increase in foreign holdings of Treasury paper.

They bought a net $11bn worth, raising their holdings to more than $27bn, compared with $16bn at the end of 1980.

This appears to reflect a return among the oil producers to a more cautious approach to U.S. investment markets.

As they moved strongly into the safe bond and note market, they pulled back noticeably from the stock market.

Losing their relish for U.S. equities, their net purchases in this area fell marginally to $1.2bn, after almost doubling when things were looking bright for the U.S. economy in 1980.

Even so, Opec maintained a substantial presence in equities and at the end of the year their total holdings were second only to those of the British.

The attraction of the U.S. for foreign investors, according to Morgan Guaranty Trust, stems in part from the "relative political stability and the safety investors perceive in the U.S. compared with the uncertain climate in many other parts of the world, including Europe and Canada."

Last year, Morgan Guaranty reported recently, foreign direct investment in the U.S. exceeded American direct investment abroad for the first time in 30 years, with the net inflow totalling $18.6bn compared with $11bn in the previous year.

U.S. direct investment overseas last year was only $7bn. This year, however, prospective foreign buyers of U.S. companies are holding off, bankers say.

While there is no shortage of window shoppers, foreign companies on the look-out complain that the prices being asked for U.S. operations are too high in relation to their current profitability.

The slackening pace of foreign activity may come as a relief to the many leading industrialists and politicians, who fear the arrival of the foreign entrepreneurs.

In a recent study of the performance of overseas buyers of U.S. companies, Dr Jacobus Severiens, professor of Finance at Cleveland State University, noted that a growing number of business and government leaders were afraid that the new owners may be insensitive or even antagonistic to U.S. economic needs.

Dr Severiens himself seems less concerned. He holds that the amount of foreign acquisitions is not a significant problem. Noting that U.S. holdings abroad far outweigh foreign owned assets in the U.S. — the ratio is $214bn to $66bn — he says that considerations of reciprocity alone demand that the door should be left open for capital inflows.

Certainly the Reagan Administration, with its clear anti-regulatory bias and its strong commitment to private enterprise, would appear to be encouraging anyone to come who thinks he can make headway in the U.S. marketplace.

Success, however, is not easily achieved. Mr Jan Ekman, managing director of the Svenska Handelsbanken, one of the leading commercial private banks in Sweden, reported recently that the performance of many Swedish companies which moved into the U.S. in the 1970s had been something of a disaster. He was commenting on a study produced for the bank by the Institute for International Business in Stockholm.

Prompted by a lack of information on performance while European enterprises were moving into the U.S. in ever increasing numbers, the report concluded that while Swedish companies performed no worse than other foreign investors in the U.S., there were still plenty of disappointments.

The roots of the difficulties lay, the report said, in inadequate feasibility analysis before takeover or merger, a far-too relaxed approach to the difficulties of establishing a product or an enterprise in the highly competitive U.S. market, and underestimation of the legal and regulatory problems peculiar to the U.S.

Performance

Dr Severiens is less critical, although he does remark that the financial results of foreign-run companies in the U.S. are "not particularly impressive." Foreign buyers, he says, seem to be especially attracted by companies with poor performance records.

The U.S. government recently reported that in 1979 the average profit margin of companies purchased by overseas interests was 2 per cent of sales — a factor which reflected "low or negative rates of return on equity."

Sampling a mixed bag of 38 companies, Dr Severiens attempted to divine if, and to what extent, foreign buyers actually improved the performance of their acquisitions.

Included in the bag is one of the most often cited success stories — the BIC Pen Corp., built up into a flourishing business with $200m annual sales since it was bought in 1958 as the Waterman Pen Corp. for $2.5m.

The list also included those which have not done quite so well. Rhone-Poulenc, for example, the French chemicals group, recently gave up its 20 per cent stake in Morton-Norwich after an unhappy time in the U.S. market.

Examination of the general trend in overseas investment in recent years shows that about half the buyers have invested in industrial sectors which are either stagnating or even declining — such as chemicals, grocery chains and building equipment.

Others have gone for high-growth areas such as machine tools, energy and non-ferrous metals — all businesses which consume vast amounts of cash. This combination, Dr Severiens suggests, explains the lacklustre results revealed by his study.

Broadly, however, he concludes that foreign buyers have helped, "nursing a substantial number of U.S. companies back to financial health." The outcome with foreign-owned U.S. companies which had good or mixed results before takeover is less easy to pinpoint.

"On average, the only significant improvement acquired companies have shown is in earnings per share. This may be a sign that foreign acquirers are after long term profits," says Dr Severiens.

"If so, one can conclude that, in addition to their notable turnaround efforts, overseas purchasers are slowly but surely contributing to the growth of the American economy."

Christopher Parkes

Dr Henry Kaufman—emerging as a leading critic of the Federal Government's policies

Mr Leif Olsen challenges the popular view that the Government deficit will push up interest rates

Dr William Griggs doubts that interest rates will go down far enough to help the economy

Three leading economists assess the prospects

Outlook for interest rates draws conflicting views

VIEWS differ sharply on Wall Street about the outlook for interest rates, which could hold the key to the timing and strength of the U.S. economic recovery. Here are the views of three economists.

● Dr Henry Kaufman, the chief economist at Salomon Brothers and well-known for his bearish views, believes that the burden of U.S. treasury borrowing stemming from the huge Government deficit will push long-term interest rates back up to high levels in the second half of this year, or at the very latest early next year.

He is also predicting a rebound in short-term interest rates, but possibly not as sharp.

Dr Kaufman is sceptical of Washington's ability to rise above political wrangling and make the necessary compromise to bring the deficit down.

Because of this he doubts that the U.S. economy will do more than "sputter and spurt" and he fears that corporate balance sheets are being severely strained by too much short-term debt.

Dr Kaufman is also emerging as a leading critic of the Fed's policies with their monetarist slant. He maintains that they are adding to the damaging volatility of interest rates.

● Mr Leif Olsen, chairman of the economic policy committee of Citibank, predected in January that U.S. interest rates would decline this year, and he maintains that his forecast is still "on rack."

A challenge

Mr Olsen says that both historical experience and economic theory show that interest rates decline as people's fear of inflation abates, and he believes this process is now at work in the U.S. The high real rates of interest "cannot stand" provided that the Fed keeps up the battle against inflation, which he hopes it will.

Mr Olsen, a monetarist by inclination, also challenges the popular view that the Government deficit will push up interest rates. He says that the economic recovery, far from adding to the burden of credit demand, will add to the supply because companies will have excess cash to invest.

He acknowledges that market psychology currently thinks differently, but he labels it "fickle" and says it could make a sudden shift.

● Dr William Griggs, senior adviser at J. Henry Schroder Bank and Trust, believes the question is not so much whether interest rates go up or down, but whether they go down far enough to help the economy. And he doubts they will.

Unless the picture is changed by a dramatic breakthrough on the budget or a marked shift in monetary policy, both of which Dr Griggs says are unlikely, he expects the current state of slow economic growth, low inflation and high interest rates to continue.

The economy could get a boost from higher defence spending and tax cuts, but the burden of Treasury borrowing will keep interest rates at a level which will stifle credit sensitive industries like housing, cars and durable goods.

The real rate of interest may look high by historic standards, but it is not unreasonable in the existing economic environment.

David Lascelles

The high Budget deficits are worrying the markets says David Lascelles

Paying the price of Reaganomics

IT IS highly ironic that Reaganomics—supposedly a set of policies with a strong pro-business slant—should have failed to inspire a more enthusiastic response from that sensitive barometer of the U.S. business climate, Wall Street.

Eighteen months after President Reagan came to office, promising to free the U.S. economy from the burdens of excessive regulation and taxation, the Dow Jones industrial average is down 10 per cent and interest rates are only marginally lower (some long-term rates are actually higher).

The White House claims this is because Reaganomics has not yet had a chance to work, and Congress is making a mess of the Reagan budget that is supposed to put everything right.

But on Wall Street, the picture is a little more complex: while people generally like the idea of lower taxes and less regulation, they have developed a fixation about the $100bn and over budget deficits that overshadow Mr Reagan's plans.

The markets seem to be signalling that this is too high a price to pay for whatever benefits Reaganomics may bring in the long run.

This view is not universal. In fact, the Wall Street scene is striking for the diversity of opinion that exists there (see loan business below).

While views may differ about the prospects, the consensus just now is that the deficits will force the U.S. Treasury to borrow record amounts of money in the years ahead, and that this will push up interest rates and prevent any sustainable economic recovery from getting under way.

Oddly enough, the consensus holds whichever way that key player, the Federal Reserve Board, moves on monetary policy.

If the Fed maintains its firm grip on credit, the current clash between tight money and extravagant government borrowing will continue to hold up interest rates.

Should the Fed, on the other hand, yield to liberal pressures and ease up, it would risk inflaming deep-seated fears about inflation, and in the end interest rates would go back up again, as well.

As it is, the Fed's persistence in its 2½-year-old war on inflation under Mr Paul Volcker, its chairman, has probably earned it the highest level of credibility it has enjoyed on Wall Street for a long time, even though critics complain bitterly about the volatility that its monetarist tactics have injected into interest rates.

In the stock market, these upheavals have had an impact as broad as it is deep. The Dow Jones rose briefly in the opening weeks of the new Administration in early 1981, hitting the magic 1,000 mark and coming within a whisker of its all-time high of 1,051 before relapsing into an 11-month slide which took it below 800—a fall of 20 per cent. It has since recovered some of that ground, but unsteadily.

Oil price slump

The fall was not entirely the Administration's fault. The slump in the world oil price weakened oil stocks which were powerful market leaders. But the major casualties included interest-sensitive stocks (banks, utilities, insurance companies), cyclical stocks like airlines and manufacturing, and even the high technology stocks which were dragged down by the slump in the electronics business.

Among the few exceptions were companies involved in video games (like Warner Communications) and, of course, the takeover stocks which soared during last year's largest-ever merger wave.

On the interest rate front, the improvements have occurred mainly at the short end of the market. The prime rate has fallen from 20 per cent when Mr Reagan took office to around 16 per cent, largely because the key Fed funds rate on interbank money has eased.

INTEREST RATES

	Prime Rate	Inflation Rate	Real Prime Rate
1970	7.9	5.9	2.0
1971	5.7	4.3	1.4
1972	5.3	3.3	2.0
1973	8.0	6.2	1.8
1974	10.8	11.0	−0.2
1975	7.9	9.1	−1.2
1976	6.8	5.8	1.0
1977	6.8	6.5	0.3
1978	9.1	7.7	1.4
1979	12.7	11.3	1.4
1980	15.3	13.5	1.8
1981	18.9	10.4	8.5
1982*	16.2	8.1	8.1

* 2 months

Source: Federal Reserve System, OECD

However, this fall is clearly insufficient to trigger an economic recovery, and it has not produced any major rally in the bond market.

Yields on long term treasury bonds are currently in the 13-14 per cent range, little changed from a year ago, while corporate bond yields have gone up a bit. Bellwether top-quality utility issues are yielding 15-16 per cent, about half to a full percentage point more than last spring.

Financial analysts say that these rates, rather than the easier short term rates, reflect Wall Street's "gut" fears about the outlook, and that Reaganomics will not be able to claim any lasting victories until they come down.

High interest rates have reduced the pace of corporate borrowing in the bond market to a trickle, though issues with special attractions like zero coupons or warrants have found ready buyers. Borrowers will in future have greater flexibility to take advantage of brief "windows" thanks to a new SEC "shelf registration" rule which dispenses with many time-consuming registration formalities.

From an investor's standpoint, these extraordinary conditions have made life painful and frustrating in one sense, and relatively simple in another. Investors in stocks and bonds have suffered losses which in some cases have been very large.

Last year, the Standard and Poors composite index of 500 stocks yielded a negative 4.8 per cent.

Nimble traders

In current terms, holders of bonds did better, earning returns of 10-15 per cent but they had to be nimble traders to avoid capital losses.

The winners were those who took the simple route of investing in the money market, either through the money market funds (whose assets now total a staggering $200bn) or by buying things like Treasury bills directly. These have yielded 13-17 per cent in the last 12 months with virtually no risk of capital loss.

In many ways, it seems just a little too easy, and money market investors may yet turn out to be the losers for having failed to pick up stock or bond bargains during the slump. But with such high real rates of return (six per cent and more) these unusual conditions have actually created a constituency for high interest rates.

These easy yields have been specially severe for the stock market because they have drained capital away from equity investment. On the other hand, such enormous amounts of liquidity could spark a powerful rally once the mood changes.

The gyrations of both the fixed income and equity markets have created a fertile breeding ground for financial futures, the highly leveraged instruments which enable investors and financial institutions to hedge themselves against market fluctuations, or simply speculate.

Active contracts now exist for both short and long-term interest rates in the U.S. and Euromarkets, though the intensity of competition between exchanges in New York and Chicago has whittled successful contracts down to a mere half dozen.

This spring has also seen the start-up of stock index futures which enable investors and traders to take positions on broad movements in share prices. Initial reception has been enthusiastic, and they could end up surpassing the interest rate futures that have dominated the field so far.

The U.S. regulators have also authorised options on futures which offer an even more highly leveraged way of trading on movements in financial and commodity markets.

Credit risk shadows lengthen

U.S. BANKS may have a lot of problems, but finding loan business is not one of them. Despite the recession, U.S. industry and commerce is crying out for bank credit, pushing the volume of bank lending up to a record level of $183bn in April.

The reasons are not specially healthy, unfortunately. U.S. companies need the money to supplement their reduced cash flow and finance unsold stocks. Normally, they would raise this money in the bond market, but they have been unable to because of the high interest rates there.

The briskness of loan business has enabled most U.S. banks to increase profits, though the upward line is far from smooth. But these gains are only being registered under the darkening shadow of credit risk.

Domestically, bankruptcies have shot up, producing spectacular failures like Braniff International and AM International. Abroad, the well-publicised troubles of sovereign borrowers in East Europe and Latin America have added to the strains.

In addition, the recent huge default of Drysdale Government Securities showed that damaging bolts can also strike from unexpected quarters.

Aside from Drysdale, which will wipe out Chase Manhattan's entire earnings this quarter, banks have braced themselves for failures and none are in difficulty. However, they have been forced to increase provisions for loan losses and reclassify doubtful loans, and this has eaten into earnings.

Even so, the strains on the U.S. banking system are still nowhere near as great as they were during the severe 1974-75 recession.

According to Mr George Salem, banking analyst at Bache, the Wall Street investment firm, the peak for non-performing loans in 1974-75 was five per cent of total loans for major banks.

At the end of last March it was 2.3 per cent, though he warns it could creep up to three per cent by year-end.

The problem is more alarming in the savings and loan industry, some of whose members are being crushed to death by high interest rates, prompting one of the most dramatic rescue operations that U.S. financial regulators have had to mount.

Several dozen small S and Ls have either been closed or pushed into mergers with stronger partners (their loan portfolios subsidised by the authorities to make them economic).

The drama reached a high point in April when Fidelity Financial, a $3bn institution in San Francisco, was forced out of business. That bank may now be bought out by a large New York bank and used as an entrée into the attractive California market.

Various legal and regulatory reforms are being put together in Washington to enable S and Ls to compete more effectively, and to beef up the resources at the rescuer's disposal.

Plugging the 'Drysdale' loophole

BOLDNESS and caution are the two virtues that America's banks and financial institutions find they need to prosper these days. If that sounds contradictory, it is because the fast-changing world of finance currently offers mouth-watering opportunities for those who are bold enough to seize them. But it also conceals some nasty traps for the unwary.

Only last month three of New York's largest banks—none of them noted for recklessness—took a $300m rap from the default of a small bond trading firm hardly anyone had heard of.

At the same time, Bank of America, the U.S.'s largest bank, got the preliminary go-ahead to buy a stockbroking firm marking the first—albeit limited—step by the banking industry into new pastures.

The default of Drysdale Government Securities contained some important lessons for the finance industry because it showed just how badly its fabric is being damaged by the excruciatingly high and volatile interest rates that have bedevilled the U.S. for three years now.

Sharp swings

On the one hand, the sharp swings in rates have attracted aggressive and often under-capitalised traders into the financial markets, adding perhaps to trading volume, but also increasing trading jeopardy.

On the other hand, banks and investment firms have found their profits so badly squeezed by gyrating interest rates that they may have become less scrupulous about how they drum up business. How else could Chase Manhattan, Manufacturers Hanover Trust and U.S. Trust have had such enormous dealings with a firm that was clearly trading well beyond its capacity?

The Drysdale affair has led to some sober re-evaluation on Wall Street. Credit standards are being tightened up, certain trading conventions are being changed to plug loopholes that Drysdale was able to exploit.

What remains to be seen is whether it leads to tighter regulatory control.

The principal regulators of the finance industry like the Federal Reserve and the Treasury—acting very much in the Reaganite spirit—are arguing against closer government involvement in the Treasury securities market where Drysdale came to grief, mainly because they say Drysdale was an isolated case, and controls would only cut market efficiency.

However, politicians in Washington are focusing on how many other potential Drysdales there may be, and how they can be spotted in advance. Some Congressmen appear to favour controls, though their numbers are small.

The affair was unfortunately timed since it comes just as the banking industry is campaigning for major reforms of U.S. banking law to allow it to enter new fields and join the financial service "bundling" vogue that has already produced new creatures like American Express-Shearson, Prudential-Bache and Sears-Dean Witter.

Traditionally, the U.S. has always been hostile to the idea of banks becoming involved in the securities business, mainly because of possible conflicts of interest.

Support has, however, been growing in Washington for an Administration proposal to allow banks to set up securities subsidiaries which would be separately regulated by the Securities and Exchange Commission.

The large banks have opposed this idea because they want to be able to participate fully and directly in the securities markets. But the huge Drysdale loss adds force to the argument that it would be prudent to oblige banks to deal in securities through identifiable, regulated — and capitalised — entities.

As it is, the pace of regulatory reform continues at a slow pace, further blurring the edges between what is a bank, an investment firm, an insurance company and any other outfit that deals in credit.

INTEREST RATES ...

Comparison of International Bank Lending Rates to Prime Borrowers (end of period)

	1976	1977	1978	1979	1980	1981	Feb 1982
U.S.	6.00	7.75	11.75	15.25	21.50	15.75	16.50
West Germany	6.50	6.00	5.50	9.75	11.50	13.00	13.00
UK	15.50	8.00	13.50	18.00	15.00	14.50	13.50

Source: Morgan Guaranty.

The big financial supermarkets that emerged from last year's takeover wave have yet to confirm the extravagant promises that were made of them, but it is arguably too soon to judge.

With Wall Street in the dumps, stockbrokers have not been making large amounts of money, so American Express has yet to reap much financial reward from its $840m acquisition of Shearson. Nor is Shearson yet offering the whole range of American Express products, or vice versa.

Dean Witter, acquired by Sears last October for $600m was a $10m drain on the merchandiser's profits in the first quarter of this year.

The insurance companies who have been among the prime movers in the shake-up, are also suffering from one of the worst downturns in the insurance cycle in decades.

Cut-throat competition has pared profits to the bone forcing some companies like Aetna Life and Casualty to push premiums up and risk losing market share rather than join the blood-letting.

Again, high interest rates are partly to blame. Insurers can obtain such high returns by investing their premium income that they can afford to cut rates. Whether they will be able to pay out claims when they start rolling in is another matter.

Painful though high interest rates are, they could be doing some good by exposing weaknesses in the U.S. financial system. Thrift institutions may be collapsing, but their demise has driven home to regulators just how badly placed banks are to compete against new-fangled savings and investment instruments.

They have also forced life insurance companies to pull up their socks and work to give policy-holders a better return. Change may be slow coming, but it is on the way.

David Lascelles

The view from Wall Street of the front of the New York Stock Exchange (right)

Anatole Kaletsky on how the mobility of Americans affects U.S. politics and economics

The flight to the Sunbelt

CONSTANT stirring is what has always kept the American melting pot from boiling over. The obverse of the country's political stability and the consistency of its 200 years of economic progress has been the American people's extraordinary mobility.

Social fluidity has contributed in several ways to the strength of U.S. business. As well as providing workers wherever entrepreneurs could use them, the mobility of the population has arguably weakened the trade unions by subdividing workers into many regional and ethnic groupings.

It may even have been a factor in the failure of Socialist ideas to make any headway, even among American radicals, against the deeply-rooted belief that history is shaped by self-propelled individuals and not by governments or social groups or classes.

The constant population movements, the waves of immigration a century ago and the eagerness to try new life styles have also contributed to economic development from another direction. They have created powerful surges of demand—for new types of services and products, for ever-growing communications and transport networks, for new homes and urban infrastructures.

Indeed, some historians define the broad outlines of American economic development by these surges: the 19th century age of the railroads; the 1920s boom in the ownership of motor cars and electrical appliances; the post-1945 construction of the inter-state highways (probably the largest civil engineering programme in history) and, most importantly, the growth of the suburbs with their detached houses and indispensable equipment of television sets, telephones, utilities and labour-saving gadgets.

The most recent of these great population movements, which is now reshaping the U.S. economy, is "the flight to the Sunbelt," a steady movement of people and businesses, which began in the 1960s, away from the old industrial cities of the north-east and Great Lakes region to the resource-rich states of the south and west.

It has shifted the country's political and economic centre of gravity. Between 1970 and 1980 just three of the 50 states—California and Texas and Florida—accounted for 42 per cent of the nation's 23m population growth. While the total population increased by 11.4 per cent during the 1970s, compared with an increase of 13.4 per cent in the previous decade, some of the Sunbelt states showed spectacular growth—63 per cent in Nevada, 53 per cent in Arizona, 43 per cent in Florida and 42 per cent in Wyoming.

New York State, meanwhile, lost 3.8 per cent of its people while the north east as a whole grew by only 0.5 per cent.

Shift in Congress

This population movement has been followed by a corresponding shift in the distribution of Congressional seats and voting power in Presidential elections. The 1982 Congressional election will be the first in U.S. history in which a majority of the House of Representatives will be returned by Southern and Western states.

Economically it has produced paradoxes and opportunities. The flight to the Sunbelt has contributed to the deterioration of northern cities and their infrastructure while new cities in the Sunbelt have been developed almost from scratch. It has meant, for example, that 20 per cent fewer Americans go to work by public transport now than 10 years ago, despite two energy crises and the big increase in the price of fuel.

Water is becoming the Sunbelt's most serious problem. Industrialists, farmers and citizens are already clashing over the rights to, and pricing of, water supplies. In states like Arizona, Utah and New Mexico air-conditioning and piped water have made orange groves and residential paradises out of some of the continent's most arid and inhospitable terrain. Water will soon become as big a political and fiscal issue as energy.

Politicians from the northern cities hit by the Sunbelt's growth point to the enormous resource costs of this population movement and want to limit it with controls and more regional fiscal incentives. But for the entrepreneurs of the South and West the very size of the challenge involved in building cities out of the desert has created huge business opportunities.

Until the late 1970s the booms in many Sunbelt cities appeared to be self-sustaining. As the population grew, the seemingly insatiable demand for housing, office space, retailing and services multiplied many times over any initial injections of jobs and incomes into the area.

As population and demand grew, the local economies grew still faster and most Sunbelt states enjoyed higher per capita growth rates than the industrial North East. On average, incomes per head rose between 1970 and 1980 by 148 per cent in the South and West of the U.S. compared with 130 per cent in the North Eeast.

To many Americans—most importantly to the former Governor of California, Ronald Reagan—the Sunbelt seemed to be the concrete manifestation of "supply-side economics." This is the theory that low taxes and freedom from regulation will stimulate entrepreneurs and workers to lift an economy up by its own bootstraps, whatever difficulties it may originally have faced.

Most Sunbelt state governments, with their "right to work laws" which make union closed shops illegal, their low local tax rates, low levels of welfare provision and laisser-faire attitudes to business regulation, have probably earned some, at least, of the credit for their states' rising prosperity.

In the past few years, however, as parts of the national economy have collapsed and as interest rates, which affect all areas equally, have soared, it has become clear that the Sunbelt should not be viewed as a uniform economic region, somehow immunised from the troubles of America's traditional industries and older states.

The key construction industries have been hit hard throughout the Sunbelt and unemployment has risen. But more interesting is the fact that the resilience of other tertiary or service-type industries, which had been mainly responsible for the Sunbelt's appearance of self-perpetuating growth, is varying markedly across the Sunbelt's various sub-regions.

The impulse

The tertiary industries' strength may prove to be not a self-perpetuating product of benign Government policies but, instead, closely related to the often overlooked variety of underlying advantages which gave each part of the Sunbelt its initial impulse to grow.

This impulse may have come from the explosion in energy prices, as in the energy-rich states of Texas, Louisiana, Oklahoma and Wyoming. Or, as in some of the south-eastern states and the non-oil-bearing parts of Texas, the stimulus may have been the relocation of traditional manufacturing industries seeking cheap, non-unionised labour.

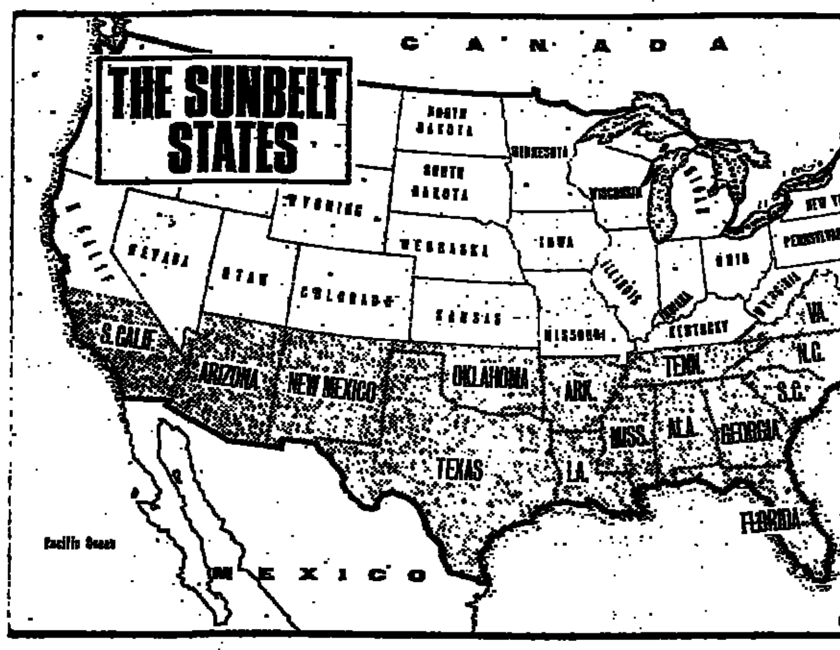
It may have been based, as in Florida and Arizona, on the tourist and retirement industries, or the stimulus may have come from the new electronics and aerospace industries. These in turn moved to Sunbelt states like Arizona, New Mexico and California largely because of the vast military establishments which tended to be located in remote and infertile areas.

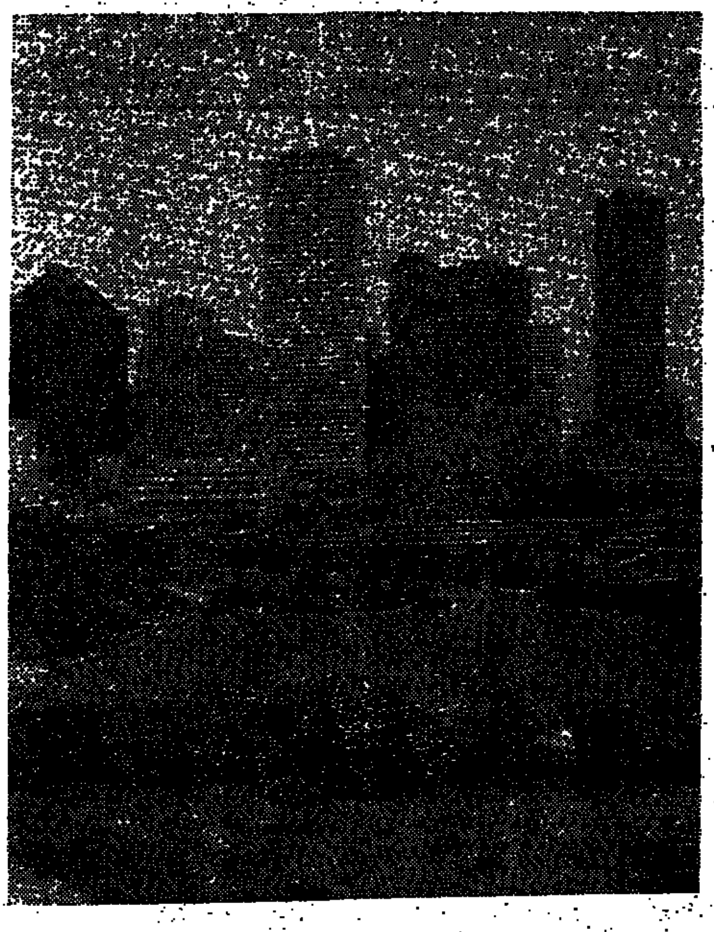
The direct or indirect dependence of many Sunbelt industries on defence and other Government contracting is a point which liberal Northern politicians try not to let their conservative Southern adversaries forget when it comes to voting on Federal spending and tax cuts.

It is generally expected that the Sunbelt economies will diverge into several groups related to their local resources. A recent Harvard-MIT report suggested, for example, that over the next 10 years growth will decline steeply in the Pacific and south-eastern states, while the oil-producing states and the mineral-rich Rocky Mountain region will continue to boom.

Indeed, investors in the property market of two of the Sunbelt's archetypal boom towns, Houston, the Texas oil capital, and Atlanta, Georgia, the hub of the south-eastern region, say they are already discounting such a differential development.

Even supply-side economics, a low-wage hinterland and "right to work" laws are probably no match for oil wealth in pulling an economy up by its own bootstraps.





Downturn Houston: one of the sunbelt's archetypal boom towns

Housing was the first to succumb in the property sector when rates soared. David Lascelles discusses recent changes.

Drastic overhaul for real estate finance

ALTHOUGH the whole of American business has been hit by high interest rates, few segments have had to absorb quite such a heavy blow as real estate.

After soaring at an unprecedented rate in the 1970s, values have levelled off and even, in some cases, declined. Spending on new construction is weak, the rate of house-building is bumping along close to its lowest level since the war. Even normally bullish real estate brokers and investment advisers are urging caution.

"The U.S. economic recession and the fact that inflation has at least temporarily subsided, are important factors in the reduced interest in real estate," said Mr Donald Bodel, president of Richard Ellis, the U.S. affiliate of the London property firm of the same name.

"More important, rental growth has subsided due to the economy and evidence of over-building in some areas," he added.

The slowdown might not be readily apparent to visitors to large U.S. cities where skylines are still pierced with cranes and the streets full of the roar and dust of construction.

However, these are the lingering vestiges of the extraordinary boom that followed the last real estate slump in 1974-75, one of the most severe the U.S. has suffered in the post-war period. The growth of the services industry, the rebirth of city centres as well as expansion into the suburbs created unprecedented demand for office space, and rentals soared.

In the private sector, a combination of high inflation and the tax advantages of property ownership resulted in houses doubling or even trebling in value in only five years.

The property boom had acquired such momentum that it managed to keep going for over a year after U.S. interest rates reached searingly high levels in 1980-81, with the prime rate hitting over 20 per cent.

Housing was the first to succumb. Construction, which hit a peak of 1.6m new housing starts (annual rate) in January 1981, plummeted throughout last year to only half that level this winter. The average mortgage rate is currently 16-17 per cent.

Commercial construction held on a little longer before turning downwards in the second half of last year. Vacancy rates, while still impressively low in some areas, are edging up, injecting a certain softness into rents.

Although the downturn has been registered nationwide, it has obviously affected some areas worse than others. Vibrant cities like New York and those in the sunbelt states of the south and southwest have held up better than those in the recession-prone states of the north and mid-west. And top quality property has been stronger than second class.

To some extent, the size of the downturn—particularly in housing—has been disguised by sellers willing to offer below-market finance to purchasers in exchange for a strong price, a practice known by the euphemism of "creative financing."

But the owners of commercial real estate have also been obliged to be more creative to clinch a deal.

General Motors, though based in Detroit owns a skyscraper in mid-town Manhattan which it tried unsuccessfully to sell. Instead, it made a deal with a group of investors including Kuwaitis, to grant them an option to buy the building in ten years for at least $500m in return for a $500m mortgage of only 10 per cent.

A reshaping

The high cost of money has already led to a reshaping of real estate finance. Aside from spelling the death of the fixed rate mortgage and hastening the changeover to a more European flexible rate system, it has produced new creatures like the equity mortgage in which finance companies supply funds at below-market rates but share in a property's equity.

In commercial construction, the trend is increasingly away from straight bank or debt finance to equity finance and partnerships. This has greatly increased the opportunities for direct investment in real estate by institutions and individuals.

Foreigners have been specially active. Brokers report a consistently high level of overseas interest in most types of commercial real estate, be it shopping malls or office blocks because of the higher yields available in the U.S. market.

Non-U.S. pension funds have invested larger proportions of their assets in real estate (over 20 per cent in some cases) than the U.S. funds which have thus far been wary of raising the percentage share into double digits.

The UK Coal Board pension fund has accumulated $400m of properties in three years. BP's pension set up a joint venture in April with Aetna Life and Casualty Insurance Company to buy a $100m office block in Denver, Colorado.

Yields on high class properties have been in the 8-9 per cent range, but real estate consultants note that they have begun to edge closer to ten per cent recently, another sign of the downturn.

This more attractive return still looks meagre, however, compared to the 14 per cent and more that investors can currently obtain in the bond market. While some institutions are still buying, others say they prefer to park their funds in securities for the time being.

For bolder investors, periods of market weakness are not the time to pull out of the market but to seek bargains.

"We expect to see some excellent opportunities this year, said the manager of real estate investment at a major insurance company, though he added that with money markets offering such high yields the amount of funds he channels into property may be smaller for a while.

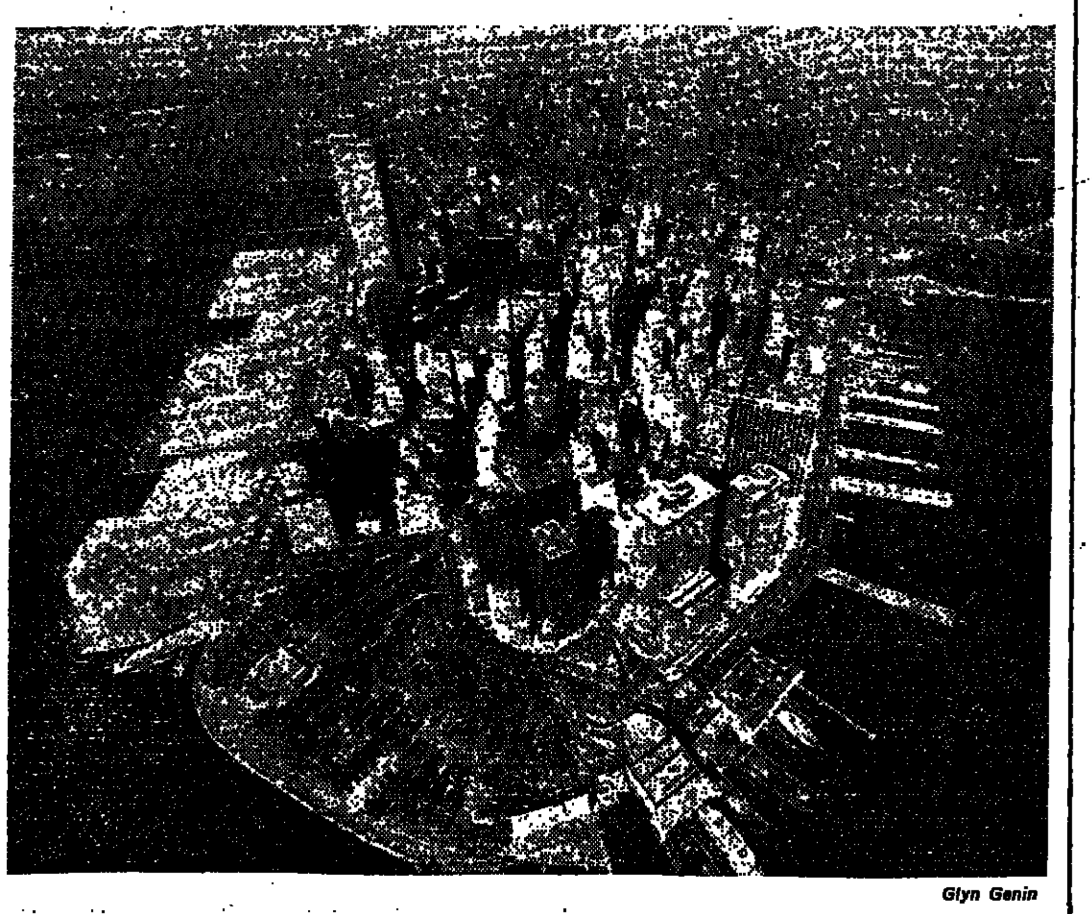
The pace of foreign investment has also been inhibited by the strong dollar and new laws in the U.S. which tighten the tax net for non-U.S. investors in real estate. Brokers differ over how big an impact the 1980 law has had: some say it has scared people off, others maintain that good lawyers and tax accountants can find ways round it.

With the U.S. economic outlook so uncertain, few real estate experts care to predict when the turnaround will come.

All of them agree, however, that a sharp drop in interest rates is the key. So they are watching indicators like inflation for clues. The progress of the budget battle in Washington to bring down the Reagan Administration's huge deficits is important, so is the Federal Reserve's conduct of monetary policy.

The present oversupply of space in many cities will also have to be taken up, which is why most people believe the market has still some way to go down before it starts back up.

Optimists predict that the combination of liquid investors and the current construction slowdown will produce a sharp recovery with a lot of money chasing shrunken supply. Sceptics fear that U.S. interest rates will remain stubbornly high and depress the real estate market for longer than usual.



Glyn Genin

Aerial view of Manhattan: less affected by downturn in commercial construction

After an earlier hardline approach to the Soviet Union, Mr. Reagan now talks of his desire for a constructive relationship with Moscow

The tone of U.S. rhetoric has changed dramatically

NOT SO very long ago, in the words of President Ronald Reagan, the Russians were "liars and cheats," remorselessly determined to establish world domination without the slightest moral or political inhibition.

Without the Soviet Union, Mr Reagan said in his presidential election campaign, there would be no problem "hot spots" anywhere in the world. The U.S., according to the incoming Reagan administration, would have no contact with Moscow unless the Soviet Union radically improved the pattern of its worldwide behaviour.

Seventeen months into his presidency, the same Mr Reagan is preparing for a summit meeting with President Leonid Brezhnev, the Soviet leader, and talking of his desire for a constructive relationship with Moscow. A new round of U.S.-Soviet strategic arms reduction talks (START) is to begin in Geneva in two weeks' time, and Mr Reagan wants a mutual commitment to arms restraint while a new agreement is negotiated.

The tone of the rhetoric has changed dramatically. The Soviet Union is still "aggressively" pursuing its interests, but we hear no more about cheating and lying. And yet Soviet troops are still waging a bitter war in Afghanistan;; Poland remains under the heel of military oppression and—if the Americans are to be believed—Soviet allies such as Vietnam and Laos are using vicious Soviet-supplied chemical weapons against their opponents in defiance of international conventions.

What has changed?

In the first place, the logic of world events over the past year and a half—whether in the Middle East or in the South Atlantic—has drummed home the lesson that the Soviet Union is not entirely and exclusively responsible for every single threat to world peace.

Secondly, the pressure of public opinion and the anti-nuclear weapons movement, both in Western Europe and the U.S. itself, has convinced Mr Reagan that he cannot take the political risk of continuing his hardline approach — without at least making a shot at a more stable relationship with Moscow.

Mr Reagan still believes that Communism is the Number One Enemy and must be confronted with all the means at America's disposal.

If he wanted to come to Europe earlier this month as a "man of peace," it was partly because he did not want his visit to be remembered mainly for vast anti-Reagan demonstrations televised to millions of viewers around the world.

To be fair, he is also probably sincere in his wish to achieve a superpower strategic nuclear balance at reduced levels (if he can't attain American superiority).

Thirdly, there have been significant shifts in the power balance in the murky world of political Washington. After an extremely shaky start, Mr Alexander Haig, the State Secretary, has gained ground at the expense of Mr Casper Weinberger, the hawkish Defence Secretary. Although he may not seem that way to many Europeans, Mr Haig, a former NATO Supreme Commander, is considered a dove in Reagan administration terms.

Mr Haig has angered conservatives by appointing professional diplomats to senior positions that they feel should be held by Right-wing Reaganites, as well as by many of his attitudes to foreign policy.

He is regarded as soft on western Europe — the state department has been the least bellicose department in trying to counter the planned natural gas pipeline from Siberia to West Germany and other European countries—and soft on China.

Mr Haig regards U.S. relations with Peking as far more important strategically than its links with "loyal", anti-Communist Taiwan.

Despite his sometimes erratic behaviour and his famous incomprehensible "Haigspeak," he has managed to exploit his position as the only senior member of the administration with some foreign experience.

Mr Weinberger, unlike Mr Haig, a member of the Reagan inner circle, is said by his critics to have failed to get on top of his job and to spend too much time travelling.

The shift in emphasis can be seen clearly in the Middle East.

When it became clear that Iran was decisively winning its war with Iraq last month, Mr Haig gave a major policy speech warning of the dangers of Iranian, not Soviet expansionism in the gulf.

He made no attempt to brand Iran, in the usual Reaganite terminology, as a Soviet "surrogate" or "proxy."

Much less is now heard of the original plan to built a "strategic consensus" of friendly nations in the Middle East (including Israel) against the Soviet Union.

Two things have altered that:

● The first is the impossibility of persuading even the most moderate Arab countries to enter any kind of military arrangement to which Israel is a party, however blurred the definition of such an arrangement may be at the edges.

● The second is the growing, if reluctant recognition in Washington that the Soviet threat simply is not the predominant pre-occupation of the Arab nations.

By concentrating now much more intensely on the Palestinian autonomy talks, and the crisis in Lebanon, Mr Haig at least seems to be demonstrating his grasp of this point.

In addition, it has become clearer that simply by giving military assistance to Arab countries, the U.S. is not going to gain automatic control over their policy-making.

Saudi Arabia, still regarded—along with Israel—as the lynchpin of U.S. Middle East policy, has made it quite clear that it will not leap to attention at Washington's command simply because it has been allowed to buy a fleet of five American early warning radar aircraft (Awacs).

Jordan has made it clear that if it does not receive the American arms it wants, it will turn to Moscow. But Washington's attempt to woo Arab countries with military aid continues, albeit in slightly lower key, as demonstrated by last month's visit to Washington by King Hassan of Morocco.

Israel, under Mr Begin's leadership, remains a major problem. The Reagan administration would like to do much more to restrain Mr Begin from his more provocative acts, such as the move into Lebanon, and put greater pressure on him to reach an autonomy agreement. But the administration remains a virtual prisoner of the powerful Jewish lobby both in Congress and outside it.

With the European Middle East "initiative" at least for the time being dead and buried, a major source of transatlantic friction has been removed from the foreign policy arena. Indeed to stress the over-riding importance he attaches to the Atlantic Alliance — a phrase they use loosely, and rather strangely to cover all the industrialised countries, including Japan.

It is true that Mr Reagan came to office pledging to rebuild the Alliance. But for most of his first year-and-a-half, Europeans only seemed to figure largely in his thinking when they had done something wrong, like being too friendly with the Soviet Union, or staging anti-nuclear demonstrations, or failing to support the administration's policies in Central America.

American support for Britain over the Falklands is likely to have long-lasting reverberations for U.S.-Latin American policy.

Apart from Mr Haig, most of the senior members of Mr Reagan's team, often of Californian origin, appeared more Pacific than Atlantic orientated.

That is still the case. It explains, at least partly, the administration's continuing drive to persuade Japan to spend more on defence, and the pre-occupation with Taiwan.

China, despite the recent visit to Peking by Mr George Bush, the Vice-President, remains a major unresolved problem, and one on which the administration is itself split.

Nobody has yet come up with a suggestion as to how to reconcile support for Taiwan, through continuing arms sales to appease Mr Reagan's Right-wing backers, with the maintenance of a close strategic relationship with Peking as part of the world-wide campaign to stand up to the Soviet Union.

Similar dilemmas pervade America's own Western Hemisphere. The administration, Mr Haig included, warns constantly of the danger that the Soviet Union, either directly or via Cuba, will acquire a foothold on the continental land mass of Latin America.

But there is no evidence that the propping up of Right-wing regimes will do anything other than make the feared threat more likely to materialise.

The much-acclaimed elections in El Salvador may have been a setback for the Left-wing guerrillas, but they have backfired in producing a government more likely to promote revolution than defeat it.

Mr Reagan's much-trumpeted plan for the development of the Caribbean Basin is increasingly beginning to look like damp squib, despite its initial welcome from some of the countries in the area.

American support for Britain over the Falklands is likely to have long-lasting reverberations for U.S. Latin American policy — the U.S. is probably more bitterly hated than the UK in Argentina today — but Washington is unlikely to agree with its critics that it was unwise in the first place to nestle up too closely to authoritarian governments like that in Buenos Aires. All the signs are that it will re-double its efforts to do so.

For despite the change in tone, the fundamentals of Mr Reagan's world outlook have not altered. He still believes that Communism is the Number One Enemy and must be confronted with all the means at America's disposal. Friends are to be judged on how far they are prepared to stand up and be counted in this struggle, and not, for example on the grounds of human rights.

Differences with Western Europe remain profound, especially over East-West relations, but also on issues such as El Salvador, Mr Reagan's growing friendship with South Africa and the whole question of Third World development.

Here again, Mr Reagan remains unshaken in his belief that developing countries must pull themselves up by their own bootstraps by exercising good capitalist principles — despite the fact, as has often been pointed out, that many of them have no boots, let alone bootstraps.

Some of the original preconceptions may have had to be abandoned in the light of experience, but the essential message remains the same, even if it is coming over in rather more velvety tones.

Reginald Dale

Wary eye on opinion polls

CONTINUED FROM PAGE 1

pected—and the hoped for surge of confidence in Reagonomics on Wall Street and in the business community has failed to materialise.

Mr Reagan had hoped to be able to come to Europe with a budget compromise agreed between House and Senate. He was however reduced to the position of having to assure his partners at the Versailles summit that a budget would soon be passed that would set deficits on a downward path, leading to something like budget balance at some unspecified time in the future, and that interest rates would therefore soon start to come down.

Unfortunately for Mr Reagan, the Administration's economic forecasts over the past 18 months have consistently proved over-optimistic. Economic recovery is now predicted for the second half of the year, but even Mr Donald Regan, the Treasury Secretary, admits that it will be anaemic if budget deficits are not brought under control.

Meanwhile, unemployment has reached the post-war record level of 9.5 per cent and is not expected to drop substantially if and when the recovery comes. The one bright spot, a dramatic drop in the inflation rate, has ironically compounded the deficit problem by reducing expected tax revenues from incomes and business profits.

The economic malaise has presented Mr Reagan with two serious political problems. If things do not improve much by the autumn it will allow the Democrats to go into the elections arguing with some conviction that Reaganonomics has failed. It is getting more and more difficult to blame the recession on the Carter administration.

Conversely, persistent economic problems make the actual pursuit of Reagonomics more difficult in itself. It will be far less easy this year for Mr Reagan to rebuild the coalition of the Republicans and right-wing Democrats that joyously marched into the lobby to support his tax and budget plans last summer.

Mr Reagan's aides say his determination to get the economy straight first was the reason why he delayed coming to Europe until he had been 18 months in office. He had to come this month, of course, because of the Versailles summit. But it is true he has a tendency to concentrate on one issue at a time.

His critics would say that he neglected foreign policy for much of last year while working on his economics programme. The conduct of foreign policy has also been made more difficult by the traditional rivalry between the Pentagon and the State Department, and the tension between Mr Haig and the outspoken Mrs Kirkpatrick, the U.S. Ambassador to the United Nations.

There can be no doubt, however, about the Administration's overall orientation — as last week's speech by Mr Reagan to the joint houses of the British Parliament demonstrated. The tone has altered over the past year. Mr Reagan is now "a man of peace." But the main thrust remains the overriding need to combat Communism around the world with all the means at the West's disposal. It may sound simplistic to many Europeans. But, as they say on the other side of the Atlantic, "It plays well in Peoria."

Away from the Falklands dispute, harmony in Windsor Great Park: the Queen and Mr Reagan go riding (above) and Prince Philip and Mrs Reagan (below)

DEATH OF KING KHALED

New king's unenviable mantle

By Richard Johns

KING KHALED was buried with simple ceremony in an unmarked grave yesterday, well within 24 hours of his death from a heart attack, in accordance with the strict tenets of the puritan Wahhabite sect to which the House of Saud and most of its subjects belong.

The calm of the proceeding was in itself a reassuring sign of continuity and cohesion. There was never any doubt that the designated heir-apparent. Crown Prince Fahd, would succeed as the fifth Monarch.

The obsequies for King Khaled were in marked contrast to those for King Feisal in 1975. His funeral had been delayed beyond the customary time limit to allow a gathering of heads of states and their representatives. There were several reasons why his passing was a far more dramatic event. King Feisal was a formidable statesman by any standards and a colossus in the Arab region — roles to which King Khaled did not aspire and for which he was not qualified. To some friends and well-wishers of the state possessing about a quarter of the world's hydrocarbon resources, the assassination by a crazed nephew suggested the possibility of the regime's instability. Moreover, the departure of a Monarch, who concentrated power tightly in his hands, raised apprehension of a dangerous vacuum.

The smooth succession and the quick evolution seven years ago of a more collegiate form of rule under the benign King Khaled quickly laid those fears to rest, showing both the adaptability and the durability of the regime. It may seem and is in many respects an archaic one. Yet the ruling hierarchy of a proliferating clan numbering, if its collateral branches are included, as many as 20,000 souls has—despite its obscure, halting decision-making processes—been shown capable of disbursing ever-mounting oil revenues to the tune of some \$350bn in the 1975-82 period and maintaining, after the dislocations of 1976-7, an orderly economic growth well in excess of 10 per cent.

It has also conducted a generally shrewd foreign policy despite the strains arising from the contradiction between its friendship for the West and pan-Arab commitments.

As expected, Fahd as Crown Prince emerged as the chief executive of what is still to a remarkable degree a family business both on the domestic and foreign fronts. King Khaled, his elder half-brother, essentially reigned rather than ruled. But he was far less of a figurehead than had been assumed. All decisions were deferred to his final approval. Moreover, he was a vital point of synthesis at the heart of the House of Saud, reconciling different factions, reconciling the more "progressive" modernising elements, whose leader was identified as Fahd long before Feisal's death, and the traditionalists.

From this point of view King Khaled will be missed. His departure as an arbiter within the heart of the Royal Family could even result in tensions and friction. In 1965, after several months of deliberation following the death of King Saud and the accession of King Feisal, he was chosen as Crown Prince very much as a compromise candidate.

The Saudi clan, like most such extended tribes in Arabia, has never followed the principle of primogeniture. Seniority by age is respected devoutly though. Chosen by a process of consensus and with the need for approval by the *ulema*, or priesthood, the leader elected is the eldest member of the main branch—now the direct descendants of the founder, King Abdul-Aziz—reckoned best qualified to maintain loyalty and preserve the common interest.

Of a shy, almost retiring, disposition, with no taste for matters of state and a preference for hunting, he seemed to many observers a surprising compromise choice at the time. Prince Mohammed, his elder full brother, whose counsel is accordingly sought on any matter of importance, was passed over because of his volatile temperament and, evidently, his alcoholic bouts. It was he who ordered the extra-judicial execution for adultery of his granddaughter Princess Mishall in 1977. So, too, were two somewhat colourless brothers, Nasir and Sad.

Fahd, then the fifth surviving son of Abdul Aziz, seemed the most suitable candidate by virtue of his outstanding intelligence, grasp of the world at large and interest in development. The preference given to Khaled, however, reflected a respect for tradition. His close links and understanding of the tribes, as well as his piety and modesty were very much in his favour. The seizure of the Grand Mosque in Mecca in November 1979 by religious fundamentalists — an almost atavistic eruption and extreme protest against secularisation in Saudi Arabia—emphasised in no uncertain manner the need to satisfy and appease conservatism.

King Fahd would be as well aware as any member of the ruling hierarchy of the imperative of not offending traditionalist susceptibilities and the consequent constraints on the kind of social change which arguably is necessary if the Kingdom's development ambitions are to be fulfilled. He lacks the common Bedouin touch of the late Monarch. His gambling and lifestyle has been the cause of adverse comment. The concentration of power within the House of Saud represented by him and his six full brothers—the so-called "Sudairi Seven" by foreigners because their mother came from the important family of that name —is an object of resentment among other members of the Royal Family including some of the other 30 surviving sons of Abdul Aziz.

His relations with Prince Mohammed have long been bad. In the past he has viewed with some misgivings and distrust Prince Saud al Feisal, the Foreign Minister, and Sheikh Ahmed Zaki Yamani, Minister of Oil. He is feared rather than loved by leading technocrats in the Government.

Balance in the upper echelons of the leadership was achieved when Prince Abdullah was finally singled out in 1977 by the consensus as third in line after debate and differences. The bluff Commander of the National Guard with his strong Bedouin roots and affiliations has duly become Crown Prince. He will no doubt continue also to lead the levies whose prime purpose is the defence of the regime. The unresolved, contentious issue relates to who should be his successor. Prince Sultan is the other outstanding senior son of Abdul Aziz and one who has held the defence portfolio for nearly two decades. Yet there are those who strongly oppose his becoming the next heir apparent.

Differences about the place in the hierarchy of the hard-working and ebullient Prince Sultan are likely to continue within the obscure bosom of the family. They are unlikely, though, to disrupt the basic solidarity which the clan knows is a prerequisite of its survival. As far as the succession is concerned the most critical challenge remains some way in the future. That will arise when the consensus decides the throne should pass to another generation. But the existence still of 30 sons of Abdul-Aziz, the youngest of whom is only about 35, ensures that for the next decade at least there should not be a lack of suitable candidates among them.

Suspicions and rivalries may make it difficult for King Fahd to assert strong leadership. As Crown Prince, his performance has been inconsistent not the least because of his own very much less than perfect health—over-weight, diabetes and back trouble which may be partly responsible for his reputation for bouts of indolence. The probability is that he will rely more heavily than before on the support of his full brothers among whom Prince Salman, at present Governor of Riyahd, seems destined to a more prominent role.

The fact that King Fahd has for seven years been the chief formulator of policy in itself assures continuity. At home the Saudi Government will continue to pursue optimum development, especially broadening of the country's productive base, compatible with social stability, the containment of expenditure and keeping foreign manpower to acceptable limits. An immediate test of his resolve will be whether or not the long-promised Consultative Council and Basic Statutes of Government materialise.

In March he renewed a pledge, first made in King Feisal's "reform programme" of 1962 and strongly reasserted by him early in 1980, that they would be promulgated in a matter of months. Over the years the time-honoured, traditional methods of consultation have looked increasingly inadequate in a fast developing society even if they have been amplified by the advice sought and taken from leading technocrats. It is not at all certain that he can overcome the confusions within the ruling hierarchy as to what evolution of the system is necessary or possible.

Another test will be his response to the audible murmurs of discontent over the lack of movement in the administration. Since 1975 there has been only one change in the Council of Ministers.

Inevitably, however, King Fahd's overriding preoccupation must be the threat to the stability of the region and its traditional regimes posed by Iran which was sending shivers down Saudi spines anyway. He can take a great deal of the credit for the formation of the Gulf Co-operation Council, the grouping of conservative Arab oil producing states, well before Iraq's final military collapse.

The course of events could be seen as a vindication of his policy of close co-operation and friendship with the U.S.—one that has come under increasing criticism from many, including princes, in Saudi Arabia who have also looked askance at his willingness to allow the Kingdom's oil to be produced at a rate beyond its financial requirements.

Now his difficulties can only be compounded by the turmoil in the Lebanon, the crushing of the Palestinian resistance there by the Israelis and the prospects of a radicalisation throughout the Arab world as a result. The mantle which King Fahd has assumed is not one to be worn lightly or envied.

The late King Khaled and his successor King Fahd pictured centre. Prince Abdullah (right) is the new Crown Prince. Prince Sultan (left) is heavily tipped for further advancement

Lombard

The wrong issue for Mr Tebbit

By John Lloyd

THE CLOSED SHOP, which the Thatcher Government early identified as the unions' anti-libertarian Achilles heel, may prove the wrong issue on which to fight.

The so-called Tebbit Bill, due to become law this summer, discourages closed shops by requiring a massive vote in their favour to make them lawful, and offers workers who are unfairly dismissed for not joining an unlawful shop possible pay-offs of £20,000 or more.

In the abstract—the level at which much of the debate has been conducted—the closed shop can easily be represented as a repressive institution. It compels workers to join unions to which they may be indifferent or even hostile, and exacts a membership fee for doing so. In many unions, especially those for manual workers, part of that fee—the political levy—goes to the Labour Party, unless the worker goes through the often cumbersome business of contracting out. A clear case of loss of freedom—connived at by two powerful groups, the employers and unions.

The issue is not, of course, confined to the abstract level. It has its real victims—the Walsall dinner ladies, the Sandwell poultry inspector, the British Rail employees who won their case against BR in the European court—and others less well known.

All of these to whom this writer has spoken, appeared sincere in their opposition, neither hungry for publicity nor—as far as can be judged—constitutionally inclined to disrupt. They did not accept the basic union organisational tenet—that unity is strength—and thus their outrage over being dragooned had no countervailing sentiment. They were non-joiners forced to join: they revolted.

But there is more evidence that the system is *not* widely resented in practice. The unpublished Gennard report on the closed shop—commissioned by the last Labour Government and drawing its findings from more than 1000 private and nationalised companies—finds that only 12 per cent of managers surveyed regarded closed shops as leading to inefficiencies; two in three of the shops made explicit provision for non-joiners; and most were concluded when membership was already nearing 100 per cent.

Gennard's study was confined to personnel managers; but its findings are bolstered by the recent plea from the Engineering Employers' Federation to Mr Norman Tebbit, the Employment Secretary, to delay implementation of the closed shop clauses for two years— after the next election—to avoid what the EEF believes will be widespread disruptions. Mr Tebbit is likely to do so.

Most practising managers seem to regard the closed shop as part of the normal give and take of industrial life in which management gains something (orderly bargaining) and unions gain something (a stronger leverage). It is almost certainly the case that unions regard the retention of the system as more important than management — because it can assist them to gain hegemony over working conditions, most obviously in national newspapers' print shops.

Most kinds of power are achieved at the expense of individual liberty: managerial power over the conditions of labour no less than unions' power to alter these conditions. In the abstract, citizens are free to choose whether or not to work for any employer or none, and it is intolerable that on exercising that free choice they should be compelled to join a union. Practically, most must earn a living within a restricted field of choice and the loss of liberty (to do other, enjoyable things) which that entails — standing on a production line for eight hours a day, for example — is already so great that another compulsion is neither here nor there, especially if it brings, or is felt to bring, benefits.

Because this is so, and because most workers generally have no very strong feelings about the closed shop, unions may find it difficult to rouse members in their defence. Equally, the Government may well find that employers do not care to use the legislative tools, fashioned for them, which would chip away at their effectiveness.

Letters to the Editor

Current cost accounting: the Emperor's clothes

From Mr B White

Sir,—I take issue with Michael Lafferty (June 7) in his comment on SSAP 16.

He criticises Keymer & Haslam as representing a part of the profession not concerned with auditing or advising companies affected by SSAP 16, yet the letters page details the sad practical experience of preparing current cost accounting figures. Unfortunately, the debate has taken on the air of the king's clothing, when the courtiers and wise men have become so committed to a point of view that the home truths of practical clothes constructors are ignored. It is sad that, yet again, it takes the effort of a small but clear-sighted unit to do what the big battalions now realise they lack the initiative to do themselves.

It is understandable that the Government would like an agreed and generally accepted principle on which it could base its new company tax policies, but unfortunately life, and inflation, is not simple. By now, it should be clear that CCA is not a rational basis for taxation policy, and perhaps alternative thoughts should be given to a simple and possibly less equitable method, such as the payment of a flat but low rate on the profits published in the historical accounts.

Barry H. White.
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Highgate, N6.

From Mr J. Clayton

Sir,—I am grateful to Mr F. E. Bleasdale (June 9) for illuminating a problem that has troubled me for nearly seven years: why did the consultative council of accounting bodies (CCAB) reject the view of its chairman that now that Sandilands had reported, it should be implemented without delay?

He should read Governor Richardson's address advocating current cost accounting to reduce bank taxes and note Mr Richardson's embarrassment at the substantial reduction in that area due to the development of leaseholding.

Bank profits are excessive? I thought my table (June 2) pretty forceful to which might be added that between 1969 and 1979 profits of the Big Four rose almost tenfold, commercial-industrial profits 2.2 times and inflation 3.2 times.

As to the converse situation when low interest rates apply I said "such tranche to be reviewed quarterly and adjusted in case of need."

My approval of current cost accounting has been expressed in many publications since 1975.

What I do — violently — disapprove of are the standard accounting proposals issued from time to time by the CCAB or the accounting standards committee. I do so because while pretending to implement Sandilands they attempt (deliberately) to destroy it. Ab initio they reject its basic principle "money is the unit of measurement." Hence the monstrous monetary working capital adjustment formula for reducing bank profits by some 50 per cent—60 per cent. Ironically this formula postulates the stability of money whereas banks expropriated their depositors by way of inflation last year alone of £12bn!

Initial proposals by the standards committee—draft 18—were rejected in 1977 and it is hoped that the latest—standard 16—will likewise be thrown in the dustbin by our members at the meeting on July 29.

Jack Clayton.
19 Park Road,
Cheam, Surrey.

Assassinations of diplomats

From Mr A. Kouyoumdjian

Sir,—On Page 2 of June 8, there is a report on the assassination of a Turkish diplomat yesterday by Armenian terrorists.

I vehemently protest about the reference to the 1915 massacres of Armenians by Turks as "alleged." It is the very neglect by the media to recognise and publicise this fact and referring to it as "an alleged claim" that has led some of my more hot-headed compatriots to kill over 24 diplomats.

I wonder if any of you would dare to refer to the Nazi Holocaust as "alleged." The Armenian massacres did away with a higher proportion of the Armenian race (60 per cent) and no Nuremberg Tribunal nor compensation nor Israel-on-the-back of innocent Palestinians for us. Yet we are still around. I hope you are justly ashamed.

Armen Kouyoumdjian.
46 Manor Drive,
Wembley Park, Middlesex.

The DC-10 beyond this century

From the Corporate Vice-President—Europe McDonnell Douglas Corporation

Sir,—The headline "Douglas may halt DC-10 production" (June 9) is misleading, even on the evidence of the story which appears below it.

The story gives an accurate assessment of the situation regarding civil aircraft but fails to mention the military version of the DC-10—the KC-10A—which is built on the same production line. The U.S. Air Force has reaffirmed its requirement for 60 KC-10As. Firm orders have already been placed for 16 of these aircraft and the USAF plan is to order the remaining 44 at a rate of between eight and 12 each year.

It is unlikely that the DC-10 line will be closed while these aircraft remain to be built.

The civil version of the DC-10 has by no means reached the end of its useful life and the programme of techonolgy updating referred to in your story will ensure that the DC-10 will meet the requirements of the civil market up to—and may be beyond—the year 2000.

It is no secret that this market is depressed at the moment and that times are hard for both airlines and civil aircraft manufacturers. But the depression will end and the DC-10 is in a good position to weather the two or three lean years ahead.

No one can be absolutely certain of anything as volatile as the civil aircraft market and the word "may" is indispensable when making predictions.

I suggest, however, that a headline which stated "Douglas may keep DC-10 in production for next 15 years" would give a more accurate picture than the one your newspaper used.

W. E. Kramer.
Scotia House,
66 Goldsworth Road,
Woking, Surrey.

Sources of suitable candidates

From Mr M. Webb-Bowen.

Sir, In your leading article of June 1 you underlined the difficulties of finding suitable candidates to head up nationalised industries. The announcement that Sir Derek Ezra will be succeeded by Norman Siddall is one of the relatively rare examples of the principle of succession operating in the public sector. All too often, after well-publicised difficulties in finding the right person, nationalised industries find themselves with a head grafted on from elsewhere.

Unfortunately, the appointment of men of the calibre of Sir Michael Edwardes and Ian MacGregor is extremely rare. In both cases the men concerned were prepared to put up with the disruption of their careers. That they were prepared to do so shows that service in the public sector is not simply a question of money. It is, however, undoubtedly true to say that the difficulties of recruiting top people to head up nationalised industries are made greater by the relatively low salaries on offer. The consolation of a knighthood is not enough to make up the difference, particularly as many of the top jobs in the private sector also carry this ultimate "perk."

Should there not be more imagination used in the search for suitable candidates for the nationalised industries? Instead of going for one of the "stars" in the private sector and trying to lure him over, why not look at some of the successful divisional heads in some of our larger private sector companies? Such men in their middle to late 40s might welcome the challenge of a nationalised industry and the public sector salary structure need not be too greatly disturbed.

M. I. Webb-Bowen.
27a James Street, WC2.

U.K. timber importing

From the Joint Managing Director, Svenska Cellulosa (UK)

Sir,—I noticed in your report (June 5) on the planned merger of International Timber and Montague L. Meyer that our company's name was mentioned as an illustration of expanded distribution activities by foreign producers in the UK. This is quite accurate, but the implication made in the article that this company has elbowed its way down the distribution system bypassing traditional importer contacts is certainly not the case. I am quite sure that Mr Meyer would agree that many of the developments that have taken place have done so with the encouragement of the UK timber importing trade who, in our case, still rank as prime customers because of their expertise, financial stability and interest in building up long term continuity through good and bad times. One of the objectives in our life is to avoid the vulnerability to the peaks and troughs of the trade cycle by co-operation.

C. L. Grace,
44 Berth,
Tilbury Dock, Essex.

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UK COMPANY NEWS

London listing for Keppel

STOCK EXCHANGE dealings are expected to begin this Thursday in the shares of Keppel Shipyard, a Singapore-based ship-repairing and shipbuilding company, which is also listed on the Singapore Stock Exchange.

In the financial information released today, the company reports that group sales have grown from S$324.6m in 1977 to S$757.1m in 1981. Pre-tax profits during the same time period advanced from S$41.3m to S$153.5m.

Of the total S$150m in S$1 shares outstanding, some 71 per cent of the shares are held by Temasek Holdings (Private), which is wholly-owned by the Government of Singapore.

A break-down of the group's activities shows that 73.5 per cent of its pre-tax profits in 1981 were derived from ship repair, while shipbuilding made a small loss. The construction of offshore marine structures, principally oil rigs, accounted for 19 per cent of the 1981 pre-tax profits.

The directors expect to maintain the gross dividend at S$0.25 per share for the company's financial year ending this December.

The company's share price at the close of business in Singapore on Friday was S$3.98, which gives the company a market capitalisation of S$597m (£159m).

The company's merchant bankers are Morgan Grenfell in association with Daiwa Europe. Brokers to the introduction are Hoare Govett.

Bentalls sales up

Sir James Spooner, chairman of Bentalls, the department stores operator, said at the AGM that sales to June 5 showed an increase of 11 per cent over last year.

This, however, included sales of the store at Tonbridge.

He said that despite this he was not over optimistic about the first half of this year. Largely due to the opening of Tonbridge there was bank interest to pay this year whereas last year there was money on deposit. This would eat into first half trading profits.

Nevertheless main profits were earned in the second half and he was hopeful for another satisfactory year as a whole.

He stepped down after the meeting and Mr Edward Bentall succeeded him as chairman.

At other meetings chairman said:

Harold Perry Motors: the chairman said the company is still looking for evidence of a real improvement in the new car market. Competition continues to be fierce, and profit margins are correspondingly narrow. However commercial vehicle profits have improved in 1982 to date.

George Wills and Sons (Holdings): Mr Jack Reynolds, chairman said: "Up to date management information indicates that we are matching last year's figures but past experience has proved that at this stage it is too early to make a firm forecast for the rest of 1982."

Barton Group: Mr John Wardle, chairman, said despite a generally poor state of business and an indifferent start to the year the group "will make money, although it is too early in the year to guarantee improved figures."

Ariel dives to £27,315 at year end

A DIVE of £110,025 in pre-tax profits to £27,315 has been shown by Ariel Industries for the year to March 31 1982. Turnover of this maker of industrial fasteners, and light engineering products remained virtually the same at £7.7m, against £7.18m last time.

The dividend has been held at 1.352p with a repeated final of 0.811p net. This was in line with the forecast made at the interim stage when pre-tax losses of £48,300 were shown, against previous profits of £56,200.

Earnings per 25p share were given as 0.02p (2.29p).

The trustees of the overseas employees' share trust have agreed to enter the market as a last resort buyer at 30p per share, subject to the company providing the necessary financial help. A resolution to approve this move will be put to the AGM.

Tax charges rose from £51 to £24,059. Retained losses of £79,864 emerged, against previous earnings of £56,169.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—J. H. Fenner, Kenning Motor, Stewart Nairn.

Finals:—Elswick-Hopper, Ferguson Industrial, MK Electric, Property Holding and Investment Trust, WGI.

FUTURE DATES

Interims:—

Anglia Television	June 23
Castlefield (Klang) Rubber Est.	June 24
Duple International	June 18
Kilinghall (Rubber) Dvlpmnt.	June 24
Lloyds Bank	July 23
National Westminster Bank	July 27

Finals:—

Chamberlain Phipps	June 21
Continuous Stationery	June 17
Joseph (Leopold)	June 24
Lynton	June 17
Pauls and Whites	June 17
Petbow	June 23
Property Partnerships	June 18
Stonehill	July 9
Sumrie Clothes	June 16
United Gas Industries	June 24

Rock Darham sees return to profits

A return to profit has been indicated for the second half by recent forecasts at Rock Darham. Mr Clarke, chairman, told members at the annual meeting.

He also pointed out that management accounts for the four months to April show a much reduced rate of loss. Sales during the period have improved resulting in a greater absorption of overheads.

Bank borrowing has been reduced, as a result of attention to financial controls. Stocks were high in relation to turnover and a major effort has now been started to reduce these stock levels.

The company has interests in motor and engineering parts dealers and in air conditioning.

Reckitt & Colman Australia

Pre-tax profits of Reckitt and Colman Australia, which is 69.73 per cent owned by the UK parent group, have tumbled by 48.7 per cent to $A7.2m for the half year to April 30 1982. Sales rose by 8.2 per cent to $120.81m.

While a considerable improvement is expected in the second half, the size of the first-half downturn means that profits for the full year will be lower than for the previous 12 months, the company states.

The interim dividend, on increased capital, is 7.5 cents (same on smaller capital).

UBM puts hopes on streamlining

WITH the closure of 13 branches in its mainstream merchanting division and the closing of 10 other branches since the end of its financial year, UBM Group, Britain's largest builders' merchant specialist, is determined to bring about an improvement in its trading position, says Mr Gerald Wightman in his first chairman's statement.

He says the group also wants to see a reduction in borrowings, which increased from £5.6m to £25.5m in the year to February 28, 1982.

The drastic action taken, particularly in the merchanting division, will bring about a return to profitability to the company as a whole even if there is no general upturn in the UK economy, believes Mr Wightman.

He says all divisions suffered from the intense competition and depressed trading conditions which existed during the year in the markets in which they serve. The board can foresee only slight improvement in these market conditions during the current year, he says, but is nevertheless determined that the company will recover to reasonable levels of profitability at the earliest possible date.

Commenting on the current level of borrowings, he says that although they are well within available banking facilities, they are too high in view of the current profit situation and the general economic outlook. The re-structuring of the merchanting division will, in due course, release a significant amount of capital and all divisions are operating in the current year on a basis which will generate funds. In the current year, substantial funds will be realised from the sale of surplus properties.

As reported on June 4, group pre-tax losses for the year to February 28, 1982 were £2.03m against profits of £2.67m. Shareholders' funds were reduced by £5.3m to £58.9m after providing £3.4m for extraordinary costs in respect of major re-structuring. Bank overdrafts, short-term loans and acceptances totalled £8.55m (£602,000).

As known, Mr Michael Phillips, who resigned as chairman and managing director in January, was awarded £100,000 compensation for loss of office. In addition, his executive pension arrangement has been supplemented by £180,000.

Meeting: Bristol, July 8, at noon.

RTD Group recovers

RTD Group has staged a recovery, with pre-tax profits of I£264,949 for the year ended February 28 1982, compared to a pre-tax loss of £318,174 last time. Turnover edged up to £5.82m from £5.03m.

Despite the return to profitability, directors are not recommending the payment of dividends on the ordinary and preference shares.

After tax of £51,474 (tax credit of £194,765), net profit works out to £213,475 (net loss £123,409). With no extraordinary items (extraordinary debit £108,567), profit applicable to the group came to £213,475 (loss £231,976).

The earnings per ordinary share were stated at 9.6p (loss 5.5p), and net current cost adjustments totalled £80,868 (£71,446). Current cost profit for the year, after taxation but before extraordinary items, came to £132,607 (loss £194,855). Current cost earnings per ordinary share were stated at 6p (loss 8.8p).

Directors say that although the past year as a whole shows an improvement in profitability, the results for the latter half were adversely affected by major losses suffered in the hard chrome plating companies following the collapse of the Stone-Platt Group.

They add, however, that the charge tax for the year benefits by the availability of losses forward from prior years.

On March 1 1982, the group acquired BMG Engineering (Swindon).

Directors say that since the group is heavily dependent on export sales, the recent Nigerian embargo on overseas purchases has had a serious effect on the operations of the two companies.

In view of these uncertainties, the group must view the coming year with caution, the directors note.

Francis Shaw

At the annual meeting Mr J. F. P. Parsons, chairman of Francis Shaw, said he still hoped that 1982 will prove to be a better year for the company as they start to benefit from difficult and very painful measures taken over last two years to ensure the survival of this business.

Upsurge at Intl. Distillers

TAXABLE PROFITS of International Distillers and Vintners, the Grand Metropolitan subsidiary, almost doubled from £12.91m to £24.57m for the six months to March 31 1982 on external sales ahead from £323.97m to £367.62m.

Trading profits advanced from £21.36m to £33.46m, while share of associates added £92,000 (£222,000) and interest totalled £8.98m (£8.68m).

Tax took £2.83m (£1.52m) leaving net profits at £21.74m (£11.39m) before minorities of £1.41m (£769,000).

In the last full year the company made pre-tax profits of £35.49m.

Hickson and Welch second half outlook

IN HIS interim report covering the six months to March 31 1982 Mr T. Harrington, the chairman of Hickson & Welch (Holdings), points out that there has been little change in the continuing problems affecting the chemical manufacturing operations, since the last annual meeting.

As a result further rationalisation is being implemented which will involve a reduction in the numbers employed. The cost of these redundancies, estimated at £0.85m, will be reflected in the second six months' results.

The chairman says that timber preservation activities both in the UK and overseas have been maintained, but with demand for chemicals remaining weak . . . he does not foresee any significant improvement in overall trading profit in the second half, compared with the first half.

As already known first half pre-tax profits rose from £2.21m to £3.83m on higher turnover of £50.97m, against £42.58m.

Renwick sells five garages

The Renwick Group announces that an agreement has been entered into with Vickring, a company in which the principal equity shareholder is Mr T. R. Dillon, managing director of the company's motor division, for the sale of Renwick's five garages in Devon and Cornwall.

Consideration for the net assets to be acquired will be £1,231,000 and £602,000 will also be received from suppliers by way of repayment of vehicle consignment deposits.

The proceeds will be used to repay stocking and other short term loans totalling £1,111,000 to subscribe for 225,000 redeemable preference shares of £1 each in Vickring at par and to reduce other borrowings of the group.

Public Works Loan Board rates

Effective June 9

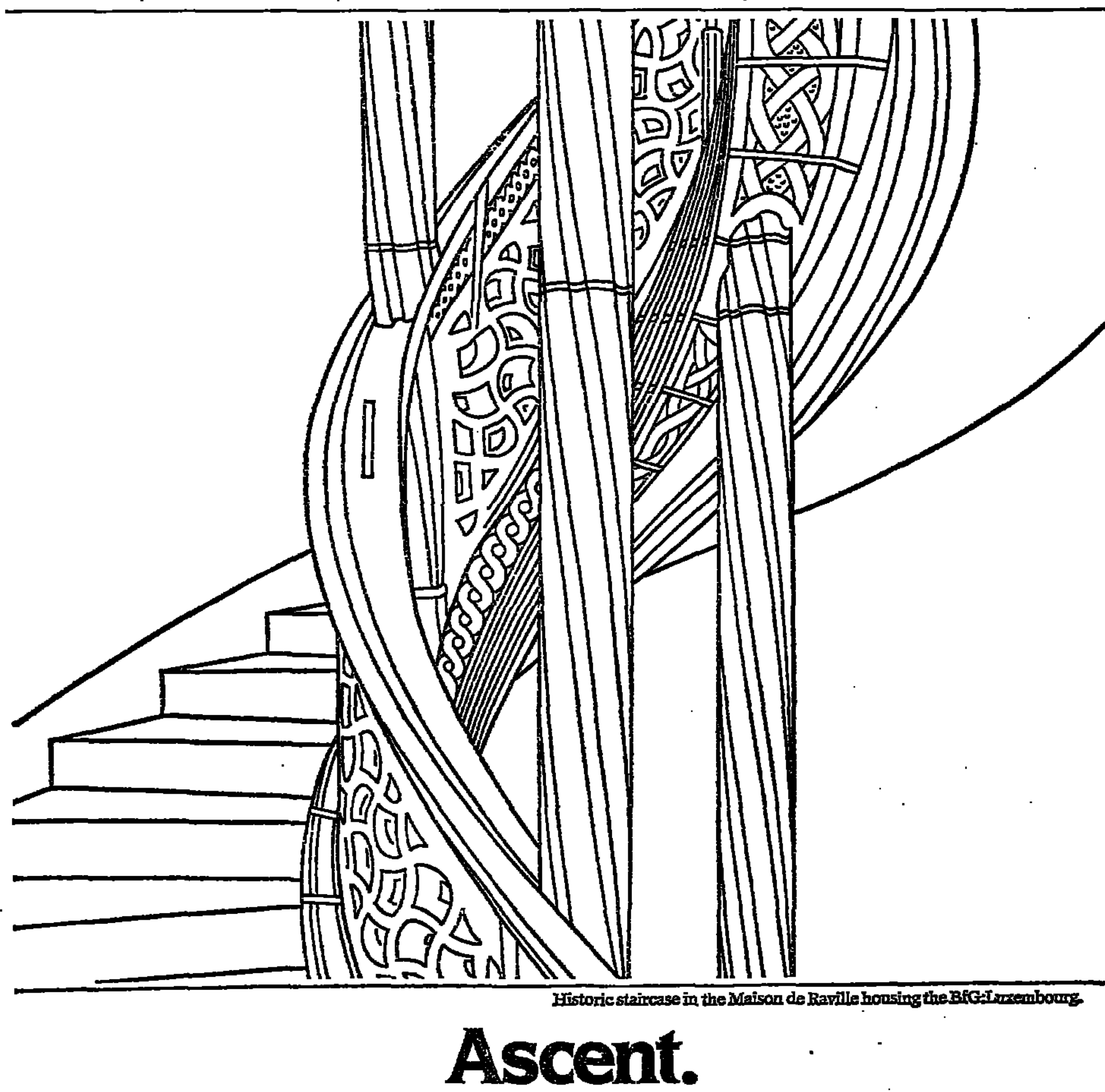
Years	Quota loans repaid by EIP†	Quota loans A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* A‡	Non-quota loans A* repaid at maturity§
Up to 5	13	13¼	13½	14¼	14½	14½
Over 5, up to 6	13½	13¼	13⅝	14½	14⅜	14⅝
Over 6, up to 7	13¼	13½	13⅝	14½	14⅝	14⅝
Over 7, up to 8	13½	13½	13⅝	14½	14⅝	14⅝
Over 8, up to 9	13⅝	13⅝	13⅝	14½	14⅝	14⅝
Over 9, up to 10	13½	13⅝	13⅝	14½	14⅝	14⅝
Over 10, up to 15	13½	13⅝	13½	14½	14½	14½
Over 15, up to 25	13½	13⅜	13⅜	14½	14⅜	14⅜
Over 25	13½	13½	13⅜	14⅜	14⅜	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BASE LENDING RATES

A.B.N. Bank	12½%	Robert Fraser	13 %
Allied Irish Bank	12½%	Grindlays Bank	*12½%
American Express Bk.	12½%	■ Guinness Mahon	12½%
Amro Bank	12½%	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Heritable & Gen. Trust	§12½%
Arbuthnot Latham	12½%	■ Hill Samuel	*12½%
Associates Cap. Corp.	13 %	C. Hoare & Co.	12½%
Banco de Bilbao	12½%	Hongkong & Shanghai	12½%
BCCI	12½%	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	12½%	Knowsley & Co. Ltd.	13 %
Bank of Ireland	12½%	Lloyds Bank	12½%
Bank Leumi (UK) plc	12½%	Mallinhall Limited	12½%
Bank of Cyprus	12½%	Edward Manson & Co.	14 %
Bank Street Sec. Ltd.	14 %	Midland Bank	12½%
Bank of N.S.W.	12½%	■ Samuel Montagu	12½%
Banque Belge Ltd.	12½%	■ Morgan Grenfell	12½%
Banque du Rhone et de la Tamise S.A.	13 %	National Westminster	12½%
Barclays Bank	12½%	Norwich General Trust	12½%
Beneficial Trust Ltd.	13½%	P. S. Refson & Co.	12½%
Bremar Holdings Ltd.	13½%	Roxburghe Guarantee	13 %
Brit. Bank of Mid. East	12½%	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	12½%
Canada Perm't Trust	13 %	Standard Chartered	12½%
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	12½%
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	12½%	TCB	12½%
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	12½%	Whiteaway Laidlaw	13 %
Choulartons	13 %	Williams & Glyn's	12½%
Citibanks Savings	¶12½%	Wintrust Secs. Ltd.	12½%
Clydesdale Bank	12½%	Yorkshire Bank	12½%
C. E. Coates	13½%		
Comm. Bk. of Near East	12½%		
Consolidated Credits	13 %		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9.5%, 1-month 9.75%. Short term £8,000/12 month 12.1%.
† 7-day deposits on sums of: under £10,000 9½%, £10,000 up to £50,000 10¼%, £50,000 and over 11%.
‡ Call deposits £1,000 and over 9½%.
¶ 21-day deposits over £1,000 10½%.
§ Demand deposits 9½%.
* Mortgage base rate.



Morgan Crucible chief expects 'steady progress'

THERE are no great profit records to be broken at the Morgan Crucible Company this year, says Mr Ian Weston Smith, the chairman, in his annual report. Instead, he says, simply steady progress is expected and a sense of regaining lost ground with optimism in the ascendency.

Recovery in the UK subsidiaries, and rather more difficult trading conditions in the majority of overseas markets, are what the company sees for the rest of 1982.

He says the U.S. economy is fully a year late with its promised upturn, as was the UK. "Recessions are much uglier than they used to be, and there must, therefore, be some hesitancy about the kind of recovery which leads on to growth."

He reiterates what he said in his preliminary statement in April that for the group as a whole, pre-tax profits for the first six months are expected to show a very noticeable improvement over the first half of 1981.

As known, pre-tax profits for the year to January 3, 1982 fell from £10.03m to £8.07m. Sales to third parties advanced from £123.7m to £133.01m.

This supplier of industrial components and materials had a "tough year" he says, but overseas companies contributed valiantly, showing great sensitivity and understanding towards the troubles of UK industry, even though they themselves were beginning to experience the first tremors of the U.S. giant subsiding into recession.

He says the group searched vigorously for opportunities to invest profitably and by late summer, Hydrotex looked to be the ideal sister company for its lubrication subsidiaries (Rocol UK and Franklin Ohio), as well as a most successful profit earner in its own right.

Mr Weston Smith says 1981 "was not a nice year" but among its compensations was the fact that 1,500 people completed 25 years' service with the company.

Looking at the group's various divisions, he points out that in electrical carbon, the British companies did not trade profitably until the second half and the overseas markets supported the division throughout the year. Sales in this division improved from £29.27m to £32.26m, with trading profits down from £3.55m to £3.13m.

Sales were little changed at £41.53m (£41.45m) in the thermic division where the significant fall in demand seen in the fourth quarter of 1980 continued into the first quarter of 1981, especially in the UK companies. Re-organisation and redundancy costs amounted to over £350,000 as a result of action taken on production costs.

This action has left the division in a healthy position for 1982, and its intense concentration on productivity and efficiency improvements will continue, he says.

Since the completion of Morgan's accounts for the year-end, Le Carbone-Lorraine SA has produced its results. These show an increase in sales from £61.74m to £67.19m, but profit after tax was down from £1.96m to £303,000. Not included in the 1980 figures are exceptional profits amounting to £1.8m arising from the sale of property.

Group shareholders' funds at the year-end were £62.71m (£62.47m). Current assets were £72.59m against £61.28m, and net current assets improved from £26.61m to £37.54m. Debtors and bills receivable, less provisions, amounted to £36.22m against £30.7m, and short-term deposits and bank balances were up from £1.72m to £5.49m.

Meeting: Institute of Directors, 116 Pall Mall, SW, July 8 at 11.30 am.

RESULTS AND ACCOUNTS IN BRIEF

KWIK-FIT (TYRES AND EXHAUSTS) HOLDINGS—Results for the year ended February 28 1982 and outlook reported May 14. Shareholders' funds £14.96m (£14.13m). Current assets £11.17m (£13.64m), including cash at bank and on deposit £442,971 (£3.68m) and debtors £2.11m (£1.04m); current liabilities £13.83m (£9.61m), including bank overdrafts £3.12m (£136,383) and creditors £9.18m (£6.28m). Decrease in working capital £275,879 (£2.23m increase). Meeting: Great Eastern Hotel, EC, June 24, noon.

ADVANCE SERVICES (linen supply and laundry group)—Results for 1981 reported May 20, 1982. Shareholders' funds £17.86m (£17.66m). Fixed assets £21.99m (£22.65m). Net current assets £2.29m (£1.43m). Working capital decreased £866,000 (£283,000 increase). Net liquid funds increased £2.97m (£1m decrease). Meeting, Stratton House, W, June 23, noon.

ASSOCIATED BRITISH FOODS (manufacture and sale of food)—Results for year to April 3 1982 reported May 25. Shareholders' funds £543.24m (£461.4m); loans £101.74m (£85.18m); fixed assets £598.44m (£490.88m); net current assets £141.28m (£131.5m), including cash £37.54m (£17.73m) and loans £52.59m (£43.87m); increase in borrowings £8m (£17m increase). Meeting: Connaught Rooms, WC, June 25, 11.00 am.

ELLERMAN LINES (shipping, brewing, insurance)—Results for 1981 reported May 15. Shareholders' funds £93.35m (£92.64m); loans and debentures £34.66m (£52.32m); fixed assets £111.57m (£134.83m); net current assets £1.85m (£4.94m liabilities); net decrease in liquidity £3.5m (£4.04m increase). Meeting: 12-20 Camomile Street, EC, June 23, noon.

GRAMPIAN TELEVISION (Television channel, properties and travel agency)—Results for year to February 28 1982, reported on April 24. Fixed assets £6.34m (£4.5m). Current assets £2.17m (£1.54m). Current liabilities £2.77m (£1.71m). Shareholders' funds £4.67m (£4.11m). Net decrease in working capital £771,000 (£27,000). Chairman says first quarter of current year is encouraging. Meeting: Aberdeen, June 24, noon.

OWNERS ABROAD GROUP (travel and leisure)—Results for 1981 and prospects reported March 4. At December 31 1981 (comparatives at March 31 1981): shareholders' funds £5.03m (£23,987); fixed assets £1.19m (nil); net current assets £367,385 (£14,958); increase in net liquid funds £721,832. Meeting: Great Eastern Hotel, EC, June 29, 11.00 am.

ALLIED PLANT GROUP—Results for the year ended December 31 1981 reported May 15 in preliminary statement with prospects. Group fixed assets £2.92m (£3.26m); net current assets £560,000 (£2.25m); shareholders' funds £3.46m (£4.51m). Meeting, York, June 28, 11.30 am.

Major promotion at Kyle Stewart

Kyle Stewart Management Contracting has appointed Mr Roger Downing as chief executive. He joined Kyle Stewart, construction group a year ago to set up the management contracting company. Formerly Mr Downing was managing director of Yeoman's, a Bovis subsidiary.

★

Mr T. C. Stephenson has been appointed managing director of GRAFTON. He was formerly with Gallaher.

★

BRITISH RESERVE INSURANCE CO. has appointed Mr Erich Scherbaum to the board. Mr Scherbaum, the deputy general manager of its sister company Interunfall and chief executive of RAS, Austria, has also been appointed managing director. Mr John J. Rea continues on the board and will assume responsibility for the control and future development of group reinsurance in London.

★

JOHN HOWARD & COMPANY announce that, following his retirement from the board, Sir John Howard has been appointed president and Mr Edwin Garner chairman.

★

Mr Robert Jones has been appointed marketing director of MYSON DOMESTIC PRODUCTS, a member of the Myson Group. He moves from the heating division of Glynwed Appliances where he was marketing director.

★

Mr C. R. Reeves, deputy chairman and group chief executive of Morgan Grenfell and Co. has been appointed a non-executive director of ANDREW WEIR AND CO.

★

Mr Douglas G. MacDonald has been appointed chairman of WILLIAM MUIR (BOND 9) in place of Mr Geoffrey C. Patterson who is retiring.

★

Four leading industrialists have been appointed additional vice presidents of the INSTITUTE OF MARKETING. They are Sir Adrian Cadbury, chairman of Cadbury Schweppes; Sir Ernest Harrison, chairman and chief executive of Racal Electronics; Mr John Harvey-Jones, chairman of Imperial Chemical Industries, and Sir Alex Jarratt, chairman and chief executive of Reed International.

★

The Industry Secretary has appointed Mr Colin Corness, chairman of Redland, to the INDUSTRIAL DEVELOPMENT ADVISORY BOARD.

★

The BBC's board of governors has invited Lord Caldecote to become chairman of the BBC's general advisory council. He will take up this post in November shortly after he retires as chairman of the Delta Group.

★

The Energy Secretary has appointed Mr Keith Rolls Williams, head of group planning, Shell International Petroleum Company, as a member of the Advisory Council on Research and Development for Fuel and Power (ACORD).

★

Mr W. J. Ridgway has been appointed a group board director of TWINLOCK. He remains managing director of Dublin-based Twinlock (Ireland).

★

Mr Charles Rich has been appointed a director of MANAGEMENT APPOINTMENTS.

★

Mr Hugh Kirton has been appointed sales and marketing director of TORVALE TRANSMISSIONS, Bridgwater. He joins after 10 years as sales and marketing director with Speedwell Gear Case.

★

Mr Duncan Whitfield, chairman of Hometune, has been elected president of the EUROPEAN FRANCHISING FEDERATION for a three-year term.

★

Mr Frank Jones is promoted to export director and Mr Chris Mahoney to financial director of PYRENE CHEMICAL SERVICES.

★

The TUDOR PHOTOGRAPHIC GROUP has made the following appointments to main group board: Mr John Ball, general manager; Mr Alistair Baxter, sales director; and Mr Michael Lehr to financial director.

★

Mr Richard George Leivers has been appointed a director of PETER BLACK HOLDINGS. He is a director of Peter Black (Keighley). Mr Gordon Peel has been appointed secretary of Peter Black Holdings to succeed Mr Helmut Rothenberg, who continues as a director.

★

Lord Pritchard has been re-elected president of the BRITISH EXPORT HOUSES ASSOCIATION. Mr A. J. Ponté, the past chairman, and Mr W. A. Newton Jones have been elected vice-presidents. Mr P. J. Reynolds, executive chairman, TKM International, has been elected chairman of the association.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times Covered	Gross Yield	P.E. Ratio
¶250	F.P.	23/6	280	255	Assoc. Heat Services	278	......	b9.0	2.1	4.6	14.1
46	F.P.	—	55	50	Bairstow Eves 5p	55	+4	b1.61	2.5	4.2	15.5
§90	F.P.	—	101	92	✠Black (Michael) 20p	96	−1	u3.0	2.4	4.5	15.3
15	F.P.	16/4	32	19	Cambrian & Gen. 7½p	31	+1	—	—	—	—
§260	F.P.	4/6	425	293	✠Cont. Microwave	425	+5	b5.25	3.9	1.8	15.8
§130	F.P.	28/5	162	140	✠Drock Hldgs.	162	......	b2.3	2.5	2.0	28.1
§87½p	F.P.	25/6	98	84	Electro-Prot. US$0.50	86	+2	uQ1.5c	5.8	1.0	11.6
—	—	—	17	10	ΔGroup Inv Option	14	......	—	—	—	—
§105	F.P.	—	121	110	✠Miles 33 10p	116	+1	ud2.6	4.3	2.5	10.0
600	F.P.	—	630	625	Oriflame SA (US$1.50)	625	−2	bQ50c	2.2	4.4	10.0
77	F.P.	—	97	88	✠Radio City 'A' NV	92	......	b5.6	1.5	8.7	10.8
140	F.P.	—	175	160	✠Ruddle (G.) 10p	175	......	b3.3	2.6	2.7	20.8
¶¶	F.P.	—	29	19	Stewart Nairn	25	......	—	—	—	—
¶¶	F.P.	—	90	50	Zambia Cons Cpr 10K	50	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
¶100	£10	—	11	10½	Bournemouth Water 9% Red. Prf. '87 89	11	......
§99.595	£25	14/7	25½	21½	Cred. Foncier de France 14% Lon. 2007	24¾	+½
¶100	F.P.	1/7	102¼	101¼	East Anglia Water 9% Red. Prf. 1987	101¼	......
¶¶	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	142	......
¶100	F.P.	—	47	38	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	39	......
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	......
§100	F.P.	—	101	98½	Marlborough Props. 10% Cnv. Ln. '98-2002	98½	−¼
98.55	£25	—	25½	24½	Midland Bk. 14% Sub. Uns. Ln. 2002-07	24½	+¾
¶100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	......
§100	F.P.	—	100⅞	100 1/16	Nationwide Bdg. Soc. 14¼% (25/4/83)	100¼	......
§100	F.P.	—	100	99 15/16	Do. 13⅞% (23/5/83)	100	......
§100	F.P.	—	100⅛	100⅛	Do. 13⅝% (3/6/83)	100⅛	......
¶107	F.P.	29/4	113½	109½	Queens Moat 10½% Cnv. '89-91	112½xd	......
¶100	£10	—	11	10½	Wrexham Water 9% Red. Prf. '87-89	11	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10½	......
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	185	......
135	F.P.	28/5	9/7	180	158	Carless Capel 10p	180	+8
174	Nil	—	—	59pm	44pm	Grand Met 50p	55pm	+2
Dkr189	Nil	—	—	5½pm	3pm	Great Northern Tel (£10)	3pm	......
5	F.P.	10/5	21/6	5	5	Grovebell (5p)	5	......
500	F.P.	20/5	18/6	615	575	Hammerson Prop.	600	......
500	F.P.	29.5	18.6	590	530	Do. A	585	+5
Dr. 150	Nil	—	—	2½pm	2¼pm	Norsk Hydro (Kr. 100)	2¼pm	......
50	Nil	—	—	8pm	4½pm	Press (Wm.) 10p	4½pm	−1½
325	Nil	—	—	120pm	80pm	Saatchi & Saatchi 10p	80pm	−5
215	Nil	—	—	40pm	37pm	Sketchley	40pm	......
170	F.P.	14/5	11/6	284	272	Steel Bros.	242	......
10	F.P.	24/3	23/4	12½	10½	Sturla 10p	11½	......
133	Nil	10/5	10/6	0	0	Young (H.)	—	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. g Assumed dividend and yield. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). Δ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

	Date	Announcement last year
Allied Colloids	July 16	Final 2.087
Allnatt London	July 16	Final 3.4
Associated Newspapers	July 15	Interim 4.5
*BPB Inds	June 30	Final 5.0
*Baker Perkins	June 24	Final 3.0
Bath and Portland	July 15	Interim 2.0
*Bilton (Percy)	July 28	Final 4.4
British & Com. Shipping	June 18	Final 7.0
Brown (John)	July 24	Final 2.5
*Butterfield-Harvey	June 15	Final 1.0
Centrovincial Estates	July 2	Final 1.33
*Charter Cons.	June 22	Final 6.6
Chloride	June 24	Final nil
Chubb	June 24	Final 3.478
Daily Mail & General Tst.	July 15	Interim 11.0
Davy Corpn	July 23	Final 4.7
*Dawson Intl	June 17	Final 5.25
Distillers	July 16	Final 7.75
Dowty	July 21	Final 2.8
Electro-Components	June 25	Final 5.5
*English China Clays	June 17	Interim 2.7
*Ferguson Industrial	June 14	Final 3.3
Ferranti	June 24	Final 4.0
GEI Intl	June 23	Final 3.555
Gestetner	July 16	Interim 1.25
Granada	July 1	Interim 1.75
GUS	July 16	Final 8.0
Greene King	July 9	Final 4.2
*Guinness (A.)	June 15	Interim 1.575
*HAT Group	July 13	Final 1.25
*Hambros	June 22	Final 160.0
Haslemere Estates	July 16	Final 4.56
Hogg Robinson	July 21	Final 3.0
Illingworth Morris	July 17	Final nil
Imperial Cont Gas	July 7	Final 5.3
Imperial Group	July 9	Interim 2.75
*Inchcape	June 17	Final 11.0
Initial	July 20	Final 6.25
International Timber	June 16	Final 2.0
*Johnson Matthey	June 16	Final 8.5
*Kenning Motor	June 14	Interim 1.75
LRC Internatl	July 13	Final 1.8
*Lloyds Bank	July 23	Interim 8.625
*London O'seas Freighters	June 18	Final 1.072
MFI Furniture	July 23	Final 1.52
Magnet and Southerns	July 14	Final 3.0
Meyer (Mont L.)	July 9	Final 1.25
Norcros	June 25	Final 3.56
*Powell Duffryn	June 23	Final 9.55
*Racal Electronics	June 22	Final 3.4
Rank Organisation	July 13	Interim 4.8
Redland	June 25	Final 4.87
Renold	June 25	Final nil
Rothmans Intl	July 16	Final 2.65
SGB	June 30	Interim 2.3
Scottish & Newc Breweries	July 2	Final 2.875
600 Group	June 11	Final 2.91
*Tesco Stores	June 16	Final 1.55
Thorn EMI	July 10	Final 10.575
Trusthouse Forte	June 25	Interim 1.5
Unigate	July 16	Final 4.0
*Union Discount	July 21	Interim 9.0
*Wedgwood	June 18	Final 2.425
Whitecroft	June 22	Final 2.6

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS
NORTON WARBURG HOLDINGS LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named company will be held at the Chartered Insurance Institute, Aldermanbury, London, EC2 on Monday, the 21st day of June 1982 at 2.30 p.m., for the purpose of receiving from the Joint Liquidators an account of their acts and dealings and of the conduct of the winding up during the preceding year.

Dated this 9th day of June 1982.
J. W. CLEMENT,
G. A. WEISS,
Joint Liquidators.

THE COMPANIES ACTS 1948 TO 1981
COMPANY LIMITED BY SHARES
NOTICE OF MEETING OF CREDITORS
NORTON WARBURG LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named company will be held at the Chartered Insurance Institute, Aldermanbury, London, EC2 on Monday, the 21st day of June 1982 at 2.30 p.m., for the purpose of receiving from the Joint Liquidators an account of their acts and dealings and of the conduct of the winding up during the preceding year.

Dated this 9th day of June 1982.
J. W. CLEMENT,
G. A. WEISS,
Joint Liquidators.

THE COMPANIES ACTS 1948 TO 1981
COMPANY LIMITED BY SHARES
NOTICE OF MEETING OF CREDITORS
NORTON WARBURG (BRISTOL) LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named company will be held at the Chartered Insurance Institute, Aldermanbury, London, EC2 on Monday, the 21st day of June 1982 at 2.30 p.m., for the purpose of receiving from the Joint Liquidators an account of their acts and dealings and of the conduct of the winding up during the preceding year.

Dated this 9th day of June 1982.
J. W. CLEMENT,
G. A. WEISS,
Joint Liquidators.

THE COMPANIES ACTS 1948 TO 1981
COMPANY LIMITED BY SHARES
NOTICE OF MEETING OF CREDITORS
NORTON WARBURG INVESTMENT MANAGEMENT LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named company will be held at the Chartered Insurance Institute, Aldermanbury, London, EC2 on Monday, the 21st day of June 1982 at 2.30 p.m., for the purpose of receiving from the Joint Liquidators an account of their acts and dealings and of the conduct of the winding up during the preceding year.

Dated this 9th day of June 1982.
J. W. CLEMENT,
G. A. WEISS,
Joint Liquidators.

THE TRING HALL USM INDEX
126.5 (+0.9)
Close of business 11/6/82
BASE DATE 10/11/80 100
Tel.: 01-638 1591

LADBROKE INDEX
Close 582-587 (+7)

THE SCOTTISH INVESTMENT TRUST PLC

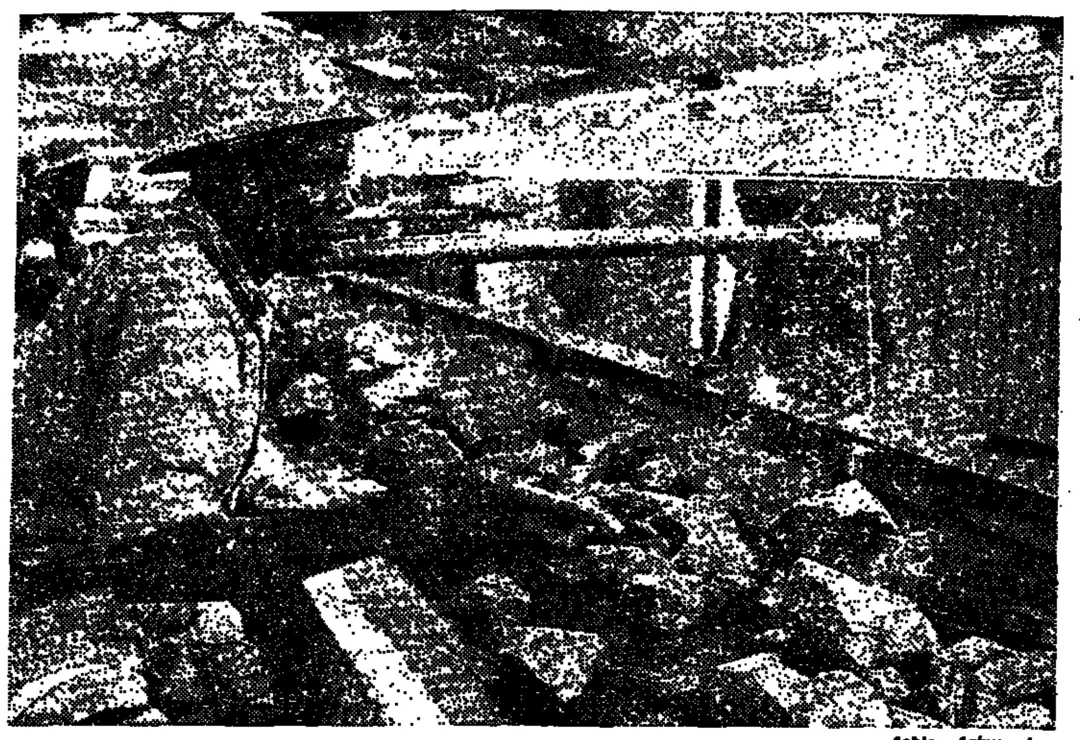
1982 interim results (unaudited)

	30 April 1982	31 October 1981
Total assets	£178.1m	£169.3m
Net assets per stock unit	183.5p	176.5p
6 months to 30 April	1982	1981
Gross income	£3,624,000	£3,713,000
Earnings per stock unit	2.13p	2.12p
Interim dividend per stock unit	1.70p	1.70p
Geographical distribution of assets	30 April 1982 %	31 October 1981 %
UK	41	38
USA	35	40
Far East	22	20
Europe and others	2	2
	100	100

MINING IN ZIMBABWE

A crucial industry marks time

By Tony Hawkins in Harare



The sorting table at Lonrho's Corsyn mine at Mazoe, Zimbabwe — Ashley Ashwood

MOST OF Zimbabwe's major mining companies expect to make a loss this year, due to the unhappy combination of constant—or even falling—prices and rapidly escalating costs, especially wages. This bleak assessment of the current state of Zimbabwe's strategically-vital mining sector was given at last month's annual meeting of the Zimbabwe Chamber of Mines by Mr Roy Lander, its president.

Mr Lander, a senior executive with the Anglo American Corporation in Zimbabwe and managing director of the country's largest nickel producer, Bindura Nickel Corporation, is well-placed to make such an assessment. His own company's fortunes offer a mirror image of what is happening across the industry. Profits fell from nearly £7m in 1980 to £2.75m last year and in 1982 Bindura is forecasting a loss of some £6m.

Of the other major mining houses, the Rio-Tinto Mining (Zimbabwe) group says it may well make a loss this year and has warned that its Empress nickel mine may have to be placed on a care and maintenance basis. Falcon Mines needs an average gold price this year of at least $340 to break even, while MTD Mangula recently reported a first half loss and announced that it had been forced to borrow £4.4m, under Government guarantee, to ensure continued operations at its copper mines.

Indeed, the mining industry's after-tax profits slumped from £64m in 1980 to £29m last year. If the gloomy forecasts made by the large mining houses turn out to be at all accurate, this year profits will be negligible and the industry as a whole could even dip into the red.

The mining industry is strategically crucial from the foreign exchange viewpoint. It contributes only some 7 per cent of gross domestic product and less than 6 per cent of total employment. But mineral exports (including gold and ferro-alloys) were valued at some £240m last year or 36 per cent of total exports. The main mineral exports were ferro-alloys (£60m), asbestos (£56m), gold (£47m), nickel (£35m) and copper (£13.5m).

According to Mr Lander, the market potential for asbestos this year looks "decidedly weak" and he sees "little hope" of an early recovery in ferro-chrome demand. The gold price has been substantially lower so far this year than last and both copper and nickel remain in the doldrums.

The 13 per cent a year growth in the value of Zimbabwe's mineral production since 1970 was largely attributable to improved prices for the country's metals. In volume terms production was virtually stagnant, growing less than 1 per cent a year between 1970 and 1981. In volume terms, output in 1981 was the lowest it had been for 10 years. Last year's production of asbestos, chrome, coal, copper and iron ore was lower than in the mid-1970s.

Undoubtedly, the main problem is depressed world demand and prices, exacerbated by far-reaching cost increases, especially labour but also transport, fuel and electricity. At the time of independence in April 1980, the minimum wage in the mining industry was Zimbabwe $38 a month (£28). In three stages, this was raised to Z$105 a month (£78) in January 1982.

Mr Lander estimated that this year the industry's wage bill will be Z$100m more than in 1979. This means, in fact, that the wage bill will have more than doubled (actual increase 115 per cent) over three years during which time the value of output will have risen an estimated 20 per cent. In other words, wages will have risen from 27 per cent of total output to almost 50 per cent. The impact of such wage increases on labour-intensive operations such as the chrome mines on the North Dyke in Zimbabwe has been extremely severe.

Escalating costs have been accompanied by stagnant or even declining productivity, because of emigration, with the industry suffering a substantial loss of skilled and experienced white manpower. At the end of last year, there were nearly 500 vacancies for skilled staff on the larger mines alone.

Although there has been a marked increase in exploration activity, there is very little new mine development in hand at present. Major expansion programmes, initiated some years ago, such as the Renco gold mine development by Rio-Tinto, underground work at Shangani nickel mine (Anglo American Corporation), asbestos mill expansion (the Turner Newall group) have been completed and the only substantial new project currently under way is the expansion at Wankie Colliery to provide coal for the new thermal power station there. Capital budgets for 1982 have been "slashed," says Mr Lander, and spending on new mines has virtually stopped.

One major uncertainty—the establishment of the state-owned Minerals Marketing Board which is to take over the marketing function from the mining houses—has been resolved with the appointment of a general manager (whose name has still to be announced). But the industry is apparently relieved that an experienced metals man has been given the tricky task of establishing a sales operation at a time of international recession.

The mining houses, which strongly opposed the plan to "nationalise" their marketing function, say that, having lost the argument, they will now co-operate closely with the board to ensure maximum efficiency.

The next stage of state intervention in the industry will take the form of a mining development corporation to be established later this year. It will develop mineral properties in its own right and be the vehicle used by the Government for joint ventures in strategic fields such as coal and uranium. But it is apparently not intended that the state should take a controlling interest in such joint ventures nor that it should purchase equity in existing mining operations, though the Government may yet have to do this to keep such mines afloat or to finance development.

The one obvious solution to the industry's immediate problems would be a devaluation of the Zimbabwe dollar. Mr G. Carey-Smith, chairman of Bindura Nickel Corporation, who is also the Anglo American Group's chief executive in Zimbabwe has—rather tactlessly—called for a 25 per cent devaluation.

It is a measure of the insensitivity of big business in Zimbabwe that the chief executive of the largest single business entity in the country—and a South African-owned group to boot — should have publicly urged the Government to devalue. Whatever the logic of the suggestion—and it is common cause that the Zimbabwe dollar is significantly overvalued—such advice is best given in private.

That said, devaluation would give the industry temporary respite, though unless accompanied by wage and employment policies, the benefits could be rapidly dissipated in an economy that imports one-third of gross domestic product and whose imports, already strictly controlled, offer little or no scope for further foreign exchange savings.

In the longer run, viability will only be restored by the combination of higher prices, wage levels linked to productivity and adequate investment policies. The replacement cost of the assets of the larger mining houses is put by Mr Lander at £2.3bn, and on the assumption that mines have a life of 30 years, the industry should be investing some £75m a year merely to maintain the existing capital stock, let alone provide for any expansion.

However, in the past two years mining investment has averaged £65m a year and with only one large-scale project currently under way — at Wankie—there is little likelihood of sustained volume growth until the late 1980s. Even that will occur only if an international economic upturn is accompanied at home by appropriate investment-inducing policies.

INTERNATIONAL CAPITAL MARKETS

CREDITS

French loan has rarity value

THE ABILITY to raise 12-year money in the Eurocredit market has become to rare that France's latest loan is bound to attract considerable attention despite its small size.

The state-owned Caisse Centrale de Cooperation Economique is raising $70m in a yen/dollar package, which includes a 12-year $50m tranche with a margin of just ⅜ per cent. The remainder takes the form of a Y5bn fixed rate loan at a margin of 0.2 per cent above the Japanese prime rate.

The operation is led by Bank of Tokyo and underlines yet again the obvious liquidity of Japanese banks as well as the growing predilection of borrowers for low interest yen syndicated loans.

At the same time its structure is akin to previous French operations which have linked Euromarket borrowings from national groups of banks with domestic borrowings in their own currency.

Interest in Europe

U.S. banks were approached in this way with the $250m credit for Credit Foncier last December, and the new move with Japanese banks prompted some speculation last week about the possibilities of applying similar techniques to other national groups.

The French credit also highlights the growing interest of international banks in low risk European assets in the wake of the Falklands crisis. Other examples of this last week were in the good response to Belgium's latest $1.2bn credit and yet another low margin credit for Ireland.

Ireland has given a verbal mandate to Algemene Bank Nederland for a $100m, eight-year credit with a margin of ⅜ per cent for the first five years and ½ per cent for the following three.

In Latin America itself, Mexico's $2.5bn credit has met with a disappointing response in syndication, with only $180m raised from second tier underwriters and $133m from participants as of Friday morning.

The deadline for replies has been extended to early this week, but the credit has inevitably suffered from adverse economic developments in Mexico as well as lending limit problems in the market.

Some bankers felt, however, that a further factor might be the reluctance of smaller banks to enter a credit from which they did not necessarily reap any relationship advantage.

As the Mexican loan was in syndication, Bankers Trust put together a $90m, three-year credit with a margin of ¾ per cent over prime for the foreign trade bank BNCE. This was sold quite easily to a select group of the borrower's relationship banks in the U.S.

But an unwelcome aspect of the Mexican credit is that even after 50 per cent of it is used to retire short-term debt, the lead managers will still be left with a considerable volume of new paper on their books, reducing their room for further operations.

Elsewhere, the Venezuelan jumbo credit seemed likely to founder at the end of last week following an attempt by the borrower to impose cheaper terms on the banks.

Most of the 20 strong group involved in the credit discussions seemed likely to reject the new terms which are based purely on Eurodollar rates, though there were some suggestions on Friday that some form of finance might be available on a bilateral or club basis from a nucleus of the banks involved.

Pointed reminder

For the rest, other banks were left with a rather sour feeling, particularly after Venezuela's pointed reminder that it deserved favourable treatment because it held $5.7bn in deposits with the banks that had been invited into the credit.

As already reported Malaysia has launched a $1bn credit through a group of banks led by Malaysian Banking Berhad, Manufacturers Hanover, and National Westminster. Indicated margins are ⅜ over Libor for ten years or ½ over prime for eight years, and there are plans for a $150m tax-spared element.

Portugal shows signs of establishing a permanent presence in the Eurocredit market. Its spate of borrowings is to continue with an $80m credit through a group of six banks led by Bank of America for the chemical concern, Cia Nacional de Petroquimica.

Peter Montagnon

COSTA RICA

Interest to be resumed on foreign borrowing

COSTA RICA is to resume interest payments on its foreign debt next month, ending a ten month period during which no interest has been paid at all.

But the payment of $6m to $10m will be largely symbolic and will not make much of a dent in the country's interest arreas, now running at some $260m.

This was one of the main conclusions of a meeting in New York last week between Costa Rica and a group of commercial bank creditors that is spearheading negotiations on the country's foreign debt.

Total outstanding foreign debt of the public sector is now put at around $3bn, an increase of $400m on a previous estimate made last October. The difference is accounted for by the accumulated interest arrears and the addition of debt not previously computed into the figures.

The meeting was the first between representatives of the new administration of President Luis Albert Monge and the commercial banks. It emerged that Costa Rica is now running a balance of payments surplus on current account of between $50m and $100m before inclusion of debt service payments.

But its first obligation in debt service has to be to multilateral institutions. There are now no arrears to the World Bank, IMF or Inter-American Development Bank but some arrears remain to be paid off at the Central American Bank for Economic Integration.

Because of this, regular payments to other creditors will remain small for the time being and in any eventual rescheduling some capitalisation of interest arrears may be inevitable, bankers believe.

Costa Rica hopes to reach agreement with the IMF on its economic programme by September which would release $300m in credits from official institutions plus some bilateral aid in excess of $100m, but this will involve further discussions on its interest rate policy and plans for gradual elimination of its three-tier exchange rate system.

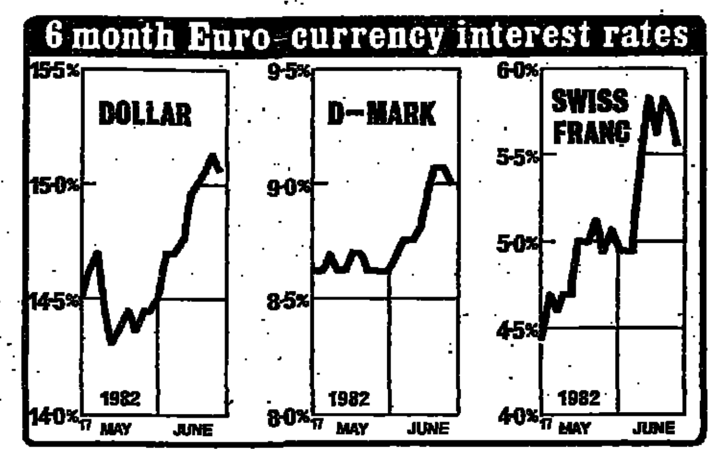
Bankers attending the meeting said some progress was made on the issue of rescheduling Costa Rica's bonds, though details remain confidential for the time being.

P.M.

INTERNATIONAL BONDS

Shake-out for rudderless market

THE EUROBOND market has just been through a hellish fortnight. Until Friday's glimmer of hope that the shake-out was finally ending and the U.S. budget impasse might be near to resolution, the mood of investors, new issue managers and traders could have been summed up in one word: dreadful.



Eurodollar bond prices lost more than three points over the fortnight; Euro D-Mark bonds fell by 1¼ points and Swiss franc bonds declined 1½ points in the same period.

Last week began with the withdrawal of the $60m American Natural Resources 15⅝ per cent issue by Goldman Sachs. The lead-manager atributed the withdrawal to "unstable market conditions." It proved a prescient decision because the market continued to tumble during the week.

Chugai Pharmaceutical cut its $40m Japanese convertible bond to $30m and Canon delayed its pricing on the $50m 7 per cent convertible. The Canon deal went ahead despite the fact that only 20 to 25 per cent of the issue had been sold by Friday morning and the paper was still changing hands at discounts of three per cent or more.

The Euro D-Mark sector, which now acknowledges that it made a mistake in setting a DM 1.9bn five-week new issue calendar, has decided to freeze all new issues for the next two weeks. The decision was taken on Friday by the West German Capital Markets Sub-committee and was applauded immeditely by relieved bankers. The pressure should now be off as more than DM 900m of new issues had been waiting in the wings for the period through July 1.

In the dollar sector, average new issue bond yields have risen by 100 to 150 basis points over the past fortnight. Examples of this movement include Du Pont's 13¾ per cent $200m bonds, Superior Oil's 14 per cent $125m paper and Phillips Petroleum's 14 per cent $200m issue—all are now yielding more than 15 per cent.

Why has the Eurobond market put itself through the recent shake-out? The short answer is that this market has seen a phenomenal volume of new issues since the start of the year and finds itself rudderless in the present climate of uncertainty over interest rates. It is hardly surprising that given total size of new offerings the market should be exhausted.

More specifically, the appearance of Canada's $750m five-year jumbo led traders to dump a lot of recent paper on the market. The Canadian issue, despite its adverse impact, is a triumph for the Euromarket. Unfortunately, it combined with other factors to bring about last week's disastrous trading.

Dealers fell over themselves last week to offload overhanging bond inventories. There were also reports of Swiss retail selling. The strength of the U.S. dollar made it unattractive for D-Mark, Swiss franc or Yen-based investors to buy into Eurodollar bonds and those non-dollar investors who held Eurodollar bonds may have decided it was time to realise some currency gains by selling the paper.

As painful as the shake-out may be for some houses, it also helped others—those with the requisite nerve and capital—to pick up bargains at knock-down prices. The question facing the market this morning, however, is whether the catharsis is finished or not.

About the only bright spot in the Eurobond market is the sterling sector where falling interest rates have produced a few new issues. Both the £30m Banque Francaise du Commerce Exterieur and Norsk Hydro 14½ per cent bonds seem to be doing well, quoted at discounts of 1 per cent or less. New issue managers reckon the market could stand another one or two such issues before investor appetites are sated.

On the other side of the world, the Japanese Government bond market continues to be weak. The benchmark 6.10 per cent 1988 paper lost ¾ point by Thursday and then recovered slightly when word of a possible U.S. budget compromise came through.

The samurai bond market (foreign borrowers in the domestic yen sector) fell by ¼ point last week amid little trading. Eurofima's new Y15bn 8.4 per cent paper appealed to Japanese domestic investors, however, and traded close to its issue price of 99½.

Alan Friedman

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Canon§‡	50	1997	15	7	100	Yamaichi Secs.	7.000
Chugai Pharm.§‡	30	1996	14	7½	100	Nomura Intl. SG Warburg, Sumitomo Fin. Intl.	7.250
Lasmo†¶‡	75	1989	7	5¼◆	100¼	Goldman Sachs, Williams and Glyn's Bank	—
ICO†‡	75	1992	10	5¼◆	100	Chase Manhattan	—
CANADIAN DOLLARS							
Gaz Metropolitan	30	1990	8	17¼	*	Wood Gundy	*
Quebec Urban Com.‡	15	1988	6	16½	100	BNP, Banque Bruxelles Lambert, Wood Gundy	16.750
D-MARKS							
Philips Lamps‡	100	1992	10	8¼	99¼	Dresdner Bank	8.577
Canon**§	40	1989	7	6¼	*	Bayr. Landesbk., Nikko Secs.	*
Renault**‡	75	1987	5	9¾	100	Deutsche Bank	9.375
Copenhagen‡	75	1992	6½	9½	99½	Deutsche Bank	9.329
Tenneco Intl.‡	100	1992	10	9	100	Commerzbank	9.000
SWISS FRANCS							
Fuso Pharm.**‡§	25	1988	—	6¼	100	SBC	6.250
Sumitomo Cement**‡	80	1987	—	6⅞	100	CS	6.875
Canon**§‡	175	1987	—	6	100	SBC	6.000
Lonrho‡	80	1992	—	7½	99½	Banque Keyser Ullman, Kredietbank Suisse, Nordfinanz-Bank	7.573
Saskatchewan‡	100	1992	—	6½	99¾	CS	6.284
Canada Exp. Devt.**‡	100	1988	—	6½	100	SBC	6.500
ICO**‡	100	1987	—	7⅝	100	Citicorp Intl.	7.625
Transam. Fin. Corp.‡	100	1993	—	7	100	Soditic	7.000
STERLING							
BFCE‡	30	1987	5	14½	100	SG Warburg	14.500
Norsk Hydro‡	30	1987	5	14½	100	Hambros Bank	14.500
GUILDERS							
IADB	100	1992	10	10¾	*	ABN, Amro Bank	*
KUWAITI DINARS							
OKB	7	1987	5	12⅝	*	KFTCIC, KIIC, KIC	*
ECUs							
IMI‡	40	1989	7	14	99½	Credit Lyonnais, Kredietbank Intl.	14.118
YEN							
Oest. Donaukraftwerke‡	20bn	1992	9	8¼	99.8	Yamaichi Secs.	8.712
Victoria Elec. Com.**‡	10bn	1994	12	8½	100	Bank of Tokyo	8.500
Eurofima‡	15bn	1992	10	8.4	99½	Nomura Secs.	8.475

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◆ Minimum. § Convertible. ¶ With warrants. Note: Yields are calculated on AIBD basis.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Pessimism prevails over gargantuan Treasury needs

THE BOND MARKET was unable to put on a rally at the end of last week despite the approval of a budget resolution by the House of Representatives and encouraging producer price figures showing no gain in the index in May from April.

This in itself is an eloquent comment on the prevailing pessimism which has returned to the market in recent days. The fact is that the market should have improved during the current quarter, traditionally a low Treasury financing quarter and one which has seen the Fed adopt a more tolerant approach to its money supply targets.

As Mr William Griggs of Schroder Bank and Trust Company put it: "Any real improvement should have come in this quarter . . . because there will be little room for optimism in the third and fourth quarters."

U.S. INTEREST RATES (%)

	Week to June 11	Week to June 4
Fed. funds wkly. av.	13.81	13.46
3-month Treas. bills	11.91	12.06
3-month CD	13.80	13.80
30-year Treas. bonds	13.63	13.62
AAA Util.	16.00	15.75
AA Industrial	15.50	15.38

Source: Salomon Brothers (estimates). In the week to June 2 M1 rose $1.3bn to $452.8bn.

Regardless of the outcome of the 1983 budget, the Treasury will be raising a record $96bn in the third and fourth quarters of this year. This alone will place enormous pressure on rates.

But the market is equally apprehensive on the money supply outlook. Although the Fed appears to have taken a more relaxed approach to its targets of late, the M-1 figures last Friday showing a $1.5bn increase in the weekly aggregate was unexpected. Moreover, M-2, the broader measure, rose by $14.9bn in May compared to April, which was much more than the $13bn increase the market had anticipated. And with M-1 expected to increase sharply early next month because of seasonal factors, the market is again in a stew about what the Fed will do to keep the growth of money in check.

With the 1983 budget resolution long on generalities and short on specifics, the market is already anticipating a federal deficit next year of between $130bn to $150bn. *This is a far cry from the $99bn deficit in* the resolution approved by the House last Thursday.

As for the more immediate Treasury borrowing needs, Salomon Brothers now estimates that the Treasury's net *new marketable borrowing* requirements for the July-September period will be in a range of $41bn to $44bn.

This will be the largest ever quarterly borrowing by the Treasury, and substantially more than the Government *originally anticipated last April* when it estimated its borrowing needs for the summer quarter at between $32bn to $37bn.

In the coming quarter, according to Salomon Brothers, market borrowing will be almost evenly divided between *bills and coupons.* The investment bank forecasts that Treasury weekly bills auctions, currently at $10bn, will prob*ably average around $11bn for* the quarter.

Salomon estimates that in the coupon sector the Treasury will also have to push note and bond auctions to new highs.

In the fourth quarter, the Treasury is now expected to have a borrowing requirement of more than $50bn.

The Treasury's gargantuan *financing demands in the second* half of the year and an increasing shortfall of institutional investment is now point*ing to significantly higher* bond yields in the third quarter, according to Mr Philip Braverman of Chase Manhattan.

"*Even more significant than* heightened borrowing demands is the projected widening in the gap between total borrowing *and credit market investment* by institutions," he says in his latest capital market report. And even if institutions boosted *investments in the third quarter* he believes an increase in direct investment by individuals will also be necessary to soak up the new paper.

He thus suggests that substantially higher market yields will be necessary to attract additional investment by individuals, especially in the long end of market.

Paul Betts

NYSE members' profits collapse

BY OUR FINANCIAL STAFF

A DRAMATIC collapse in 1982 first quarter profits is reported by the New York Stock Exchange, the biggest stock market in North America.

Member firms dealing with the *public could come up* with net profits of only $30m, compared with $342m in the opening quarter of 1981 and *with $301m during the final* three months of last year.

In part, the performance reflects the weakness of Wall Street which experienced a decline of a tenth by the Dow Jones index over the period. O the members firms reporting for the quarter, more than 40 per cent suffered losses.

The quarter's profit represented a 1.4 per cent annual return on the member firms' average net worth of $8.28bn. *The* figures cover revenue from all sources, including trading and interest income as well as commission revenues.

The Exchange said commission revenues amounted to 25.5 per cent of total member firm revenues in the first quarter of 1982, an increase *from the fourth quarter 1981.*

Since NYSE members include corporations and partnerships, after-tax earnings are presented on a pro-forma basis assuming a regular corporate tax rate of 48 per cent for each firm reporting a profit.

The total adjusted profits are offset by reported losses for which no tax effect is computed, the Exchange said.

The Exchange pointed out *that 389 member firms took* part in the concensus. Of this total, 223 firms reported some kind of a profit with the remainder—a full 166 firms—running at a deficit for the quarter.

Bid by Norcen blocked

BY RICHARD LAMBERT IN NEW YORK

A FEDERAL judge has blocked Norcen Energy Resource's $171m bid to acquire control of Hanna Mining, the U.S. iron ore group. Judge John M. Manos added that he might require *Norcen, which is controlled by* Conrad and Montegu Black of Toronto, to sell the 8.8 per cent share in Hanna which it already *owns.*

The judge said that "the evidence establishes conclusively that Norcen planned to seek control of Hanna at the same time it told federal regulators *it merely wanted an investment* position."

Norcen announced a tender offer for 42.7 per cent of Hanna *at $45 a share in April, but its* bid was put on ice while the court reached its decision on Hanna's request for a preliminary injunction. The shares closed at $29, down $0.75, on Friday.

Privatbanken upsurge

BY OUR FINANCIAL STAFF

PRIVATBANKEN, the UK subsidiary of Copenhagen-based bank of the *same name,* increased profits by 279 per cent to £1.25m for 1981.

Mr Peter Tann, Privatbanken's *managing* director, commenting on a year which saw the bank's total assets increase by £40.6m to £297.2m, said *it* was notable for the number of new accounts opened and the expansion of customer services.

The bank has recently established leasing and trade finance *companies reflecting the bank's* policy of expanding its commercial activity in the UK and meeting the needs of those engaged in Anglo-Danish trade

● Dresdner Bank Canada, a new branch of West Germany's Dresdner Bank, is already making a profit, Herr Manfred Meier-Preschany, a member of the Canadian bank's board, told a recent press conference.

SIFIDA to pay first ever dividend of 2%

BY QUENTIN PEEL, AFRICA EDITOR

SIFIDA, the multi-national investment corporation established in 1970 to provide private capital for Africa, has declared its first dividend after 10 years of operation.

The company, which has more than 130 institutional shareholders from 20 countries, including financial, industrial and commercial companies with wide interests in Africa, has loans and investments totalling some $25.5m.

The dividend of two per cent amounts to a token payout by SIFIDA to mark its 10 years of operation, rather than any marked improvement in the profitability

However, the company argues in its annual report that it has contributed to the financing of some 60 projects in Africa over the past 10 years, which have resulted in the creation of some 25,000 jobs, and foreign exchange earnings or savings of around $100m.

"In view of SIFIDA's mission . . . to invest medium and long-term funds in Africa, its shareholders have never expected any substantial financial return, at least in the initial years of the company's *life,*" according to the directors' report.

However, the directors warn that "most African countries *continue* to be plagued with rising indebtedness, *itself* the result of high interest rates and unfavourable currency move*ments* . . . The problems experienced in previous years *of* foreign currency shortages and the difficulty of indentifying self-sufficient and economically justified projects, *particularly in* the industrial field, are likely to continue in 1982."

Volvo in Belgium

VOLVO, THE Swedish motor group and two Belgian state investment groups *are to form* a financing company. To be called Truck Development Company, it will have a capital of BFr 700m. The Belgian *groups* have also agreed to grant up to BFr 475m in loans.

INTERNATIONAL APPOINTMENTS

Chairman for Coopers and Lybrand

● COOPERS AND LYBRAND, New York, has appointed Mr Peter R. Scanlon chairman. He succeeds Mr Norman E. Auerbach, who will be retiring on *October 1. Mr Scanlon is cur*rently vice-chairman of domestic operations.

● Mr Wong Ping Seng has been appointed *managing* director of URB ROUSE WOODSTOCK (PTE), Singapore, a member of the Mercantile House Holdings Group.

● BRUSH WELLMAN INC., Cleveland, Ohio, has appointed Mr Douglas C. Dean as vice president international, with responsibility for international marketing of beryllium products. Mr Robert H. Rozek has been appointed vice president Government affairs.

● Mr E. A. Wall, managing director of National Freight Company (International) has become resident chairman of DOWNARD-PICKFORDS PTY in Australia, for a period of up to two years. The Downard business was bought by NFC in January: it has senior Pickfords managers among its directors but reports to NFC (International).

● *REFCO INTERNATIONAL* FUTURES, New York, has appointed Mr James M. Pugh, senior vice-president and director of foreign exchange Mr Art Smith, vice-president and director of energy futures, and Mr Rodney W. Dow, vice president and manager of energy futures.

● ALLEGHENY INTERNATIONAL, Pittsburgh, has elected Mr Robert E. Kirby, chairman and chief executive *officer of Westinghouse Electric* Corp. and Mr Anthony J. F. O'Reilly, president and chief executive officer of H. J. Heinz Company to its board.

● Mr Arthur E. Gledhill has been appointed chief operating officer and president of THE STANLEY WORKS, New Britain, Conn. He replaces Mr Vaughan E. West who has resigned as chief operating ocer and president and as a director of the company. Mr Gledhill has been with the company for 27 years. He was elected group vice-president, builders products in 1974. Mr West has resigned "as a result of differences in management philosophy with the company's board of directors," says the company.

● LUMMUS OPERATING ASSOCIATES (LOA), has appointed Mr Andrew Klemmer vice-president training, and Mr C. J. McCoy vice-president projects. LOA is part of Lummus Group Inc, a subsidiary of Combustion Engineering Inc.

● Mr A. R. Jackson has been appointed general manager of the Houston division of C-E CREST. Mr Jackson joined Crest in 1978 as manager of projects and became managing director of Crest Engineering (UK) in 1980. C-E Crest is a subsidiary of Combustion Engineering Inc.

● Mr John A. Finnical, director of the Du Pont Company's industrial fibres division in the U.S., has been named to succeed Mr Hayden M. Pickering, Jr. as managing director for textile fibres with DU PONT DE NEMOURS INTERNATIONAL S.A. in Geneva, Switzerland, on his retirement on September 30. Mr Finnical was appointed direc*tor of the industrial fibres* division in 1980.

● Mr James B. Crawford has been named president of TRANSCO COAL, Houston, a subsidiary of Transco Energy Company. Mr Crawford was senior vice-president, corporate *development, with primary* emphasis on evaluating new business opportunities for Transco in the coal industry.

● Mr Herbert H. Jacobi, executive chairman of Trinkaus & Burkhardt, has been elected chairman of the supervisory board of MIDLAND BANK FRANCE, in succession to Mr Malcolm G. Wilcox, a director of Midland Bank. He has also been elected a member of the supervisory board of BCT Midland Bank. Midland Bank France is a wholly-owned wholesale bank *subsidiary of Midland Bank.*

Mr Herbert H. Jacobi

● THE SINGER COMPANY has appointed Mr Larry P. Neely as president of its meter division, Philadelphia, and Mr John L. Duncan as president of its motor products division, Pickens, S.C. Mr Neely, formerly president of the motor products unit, succeeds Mr Jack H. Venner, who is retiring. Mr Neely, who is also a corporate vice-president of *Singer, joined the company in* 1970 and became president of motor products in 1979. Mr Duncan was vice-president of manufacturing and engineering of Singer's motor products division.

● LEVI STRAUSS AND CO has named Mr Peter Thigpen president of Levi Strauss U.S. from August 16, succeeding Mr Frank Bramm, who has resigned. Mr Thigpen, a corporate vice-president, has been president U.S. group one menswear division. Mr James A. McDermott will become senior vice-president of marketing for Levi Strauss U.S. succeeding Mr Hal Spielberg, who has resigned, on August 16.

● Mr Gustav Baumann, general manager of BBC BROWN BOVERI & CO., Baden, is to leave the group management committee at the end of this month. In future, the group's U.S. subsidiaries will be the responsibility of committee chairman Mr Piero Hummel and those in Canada that of *committee member Mr Erwin Bielinski.* Alex Kraner will become deputy chairman of the executive committee and *Dr Gaudenz Staehelin* a committee member. Dr Staehelin's successor as head of Ciba-Geigy's pharmaceutical division *will be Dr Jean Orsinger,* currently head of the division's administration and planning department.

● Dr Samuel Koechlin is to resign for health reasons as chairman of the executive committee of CIBA-GEIGY AG, Basle, and will be nominated for election to the company's board in 1983. On August 1, Dr Koechlin will be succeeded as executive-board chairman by Dr Albert Bodmer, who has been a committee member since 1979. Dr

● Mr Rudi W. Baur, formerly deputy management chairman of the Swiss catering group MOEVENPICK, has been appointed management chairman of the Canadian concern YORK HANOVER HOTELS.

● POON GROUP (a subsidiary of the Inchcape Group) has appointed Mr Quintin C. Cullen financial controller Poon Group Bahrain. He was previously an independent financial hotel consultant.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	100⅝	101⅛	+0⅛	−0⅛	14.64
Amax Int. Fin. 16¼ 92	75	101⅞	101⅝	0	−1⅛	15.93
Amex O/S Fin. 14¾ 89	75	96¼	96¾	+0½	−0⅛	15.07
APS Fin. Co. 16⅝ 89	75	100⅞	101⅛	+0½	−0⅞	15.89
ATT 14¼ 89	400	101	101½	+0⅛	−1⅛	13.91
Baker Int. Fin. 0.0 92	225	†26	26½	0	−0½	14.78
BHP Finance 14⅜ 89	150	97⅛	97⅝	−0⅛	−1⅛	15.37
Bk. Amer. NT SA 12 87	200	91	91½	+0⅞	−0⅛	14.81
Bk. Montreal 14½ 87	100	97	97½	+0⅞	−1⅛	15.32
Bque. Indo Suez 15 89	100	97⅛	97⅝	+0⅛	−1	15.63
British Col. Hyd. 14⅜ 89	200	98½	99	+0⅛	−0⅛	15.03
Burroughs Int. 15¾ 88	50	101⅝	102⅛	+0½	−1	15.18
Canadair 15½ 87	150	100⅜	100⅝	+0½	−0⅛	15.32
Canadian Pac. 14⅝ 92	75	96½	97	+0⅛	−1⅛	15.27
Carolina Power 16½ 89	60	101½	102	+0⅛	−1	15.98
CIBC 16 87	100	100¾	101¼	+0⅞	−0⅞	15.62
Citicorp O/S 15 84/92	100	99⅞	100⅜	+0⅛	−0⅛	14.83
Citicorp O/S 15½ 85/97	125	100	100½	+0⅛	−0⅛	15.28
CNA 15⅞ 97	75	99⅝	100	+0⅝	−0⅛	15.88
Con. Illinois 15¾ 89	100	100¾	101⅞	+0⅛	−0⅛	15.44
Duke Pwr. O/S 15½ 89	60	99¼	99¾	+0⅛	−1⅛	15.59
Dupont O/S Cap. 0.0 90	300	34⅞	35⅜	−0⅛	−0½	14.62
ECSC 14⅝ 87	50	98½	99	+0⅛	−0⅛	15.06
EIB 15½ 89	150	99¾	100¼	+0⅛	−0⅛	15.48
Eksportfinans 14½ 89	50	96⅝	97⅛	+0⅛	−0⅞	15.24
Gen. Elec. Credit 0.0 92	400	27⅜	27⅞	+0⅛	−0⅛	14.32
Gen. Elec. Credit 0.0 93	400	24⅜	24⅞	+0⅛	−0½	14.07
Getty Oil Int. 14 89	125	97⅛	97⅝	+0½	−0⅛	14.61
GMAC O/S Fin. 16 88	150	101	101½	+0⅛	−0⅞	15.58
GMAC O/S 15¾ 85/97	100	98⅞	99⅜	+0⅛	−0⅛	15.64
GMAC O/S Fin. 15 89	125	96⅜	96⅞	+0⅛	−2⅛	15.82
GMAC O/S Fin. 15 87	100	97⅛	97⅝	+0⅛	−1	15.78
Gulf Canada Ltd 14⅜ 92	100	98⅛	98⅝	+0⅛	−1½	15.05
Gulf Oil 14¼ 94	175	98⅛	98⅝	+0⅞	−0⅛	14.52
Gulf Oil Fin. 0.0 92	300	26⅞	27⅜	+0⅛	−0½	14.36
Gulf States O/S 16 90	60	98⅜	98⅞	+0⅛	+1⅛	16.35
Int-Am. Dv. Bk. 15⅛ 87	55	98⅝	99⅛	+0½	−0½	15.33
Japan Dev. Bk. 15½ 87	50	102¼	102⅝	+0⅛	−0⅞	14.69
New Brunswick 16⅜ 89	75	101⅜	101⅞	+0⅛	−1½	15.78
Ontario Hydro 14⅜ 89	150	99	99½	+0⅛	−1⅛	14.91
Pac. Gas & El. 15¾ 89	80	102⅜	102⅞	+0½	−0⅛	15.03
Pac. Gas & El. 15½ 89	45	101⅝	101⅞	+0½	−0⅞	15.06
J. C. Penney GL 0.0 94	350	20¼	20¾	0	−1	14.59
Phillips Petrol 14 89	200	95	95½	+0⅛	−1½	15.13
R.J. Rynlds. O/S 0.0 92	400	26⅜	26⅞	0	−0⅛	14.63
Saskatchewan 16 89	125	101⅝	102⅛	+0⅛	−1⅛	15.48
Shell Canada 14⅜ 92	125	97⅛	97⅞	+0½	−0⅞	14.83
Spain 15⅜ 87	100	99⅛	99⅝	+0⅛	0	15.81
Superior O/S Fin. 14 89	125	94¼	94¾	+0⅛	−0⅛	15.36
Swed. Exp. Cr. 15¼ 89	100	98⅝	99⅛	+0½	−0⅛	15.48
Swed. Exp. Cr. 14⅜ 90	100	95⅞	96⅜	+0⅛	0	15.62
Swed. Exp. Cr. 0.0 94	200	20	20½	+0⅛	−0⅛	14.56
Union Carbide 14⅜ 89	150	98½	99	+0¼	−1⅛	15.03
Wells Fargo I. F. 15 87	75	98⅛	98⅝	+0⅛	−1⅛	15.25
World Bank 15⅝ 88	250	99½	100	+0⅛	−0⅛	15.26
World Bank 14⅜ 87	500	95⅞	96⅜	+0⅛	−1	15.41

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¼ 92	150	98⅞	99⅜	+0⅛	−0⅛	9.42
Australia 9¾ 91	300	102¾	103¼	+0⅛	0	8.86
Australia 9¾ 91	200	102¾	103¼	+0½	0	8.83
Barclays O/S In. 8¾ 94	100	95⅞	96⅜	+0⅞	−0¼	8.91
Canada 8½ 93	200	100½	101	+0⅛	−0⅛	8.35
Comp. Tel. Esp. 10½ 92	100	100	100½	0	−0⅞	10.44
Cred. Foncier 8¾ 92	100	96⅞	97⅜	+0⅛	−0⅛	9.20
Denmark 10 88	100	100½	101	+0¼	0	9.80
Denmark 10⅛ 92	100	101½	102	0	−0⅛	9.82
EDF 9⅞ 92	100	101½	102	+1	+0⅛	9.58
EEC 9¾ 94	200	102	102½	−0⅛	+0⅛	9.40
EIB 8⅝ 92	100	95⅝	96⅛	+0⅛	−0⅞	9.00
Int.-Am. Dev. Bk. 9 92	150	98½	99	+0⅛	−0½	9.17
Ireland 10⅛ 86	100	101⅝	102⅛	+0⅛	−0½	9.53
Nacnl. Financiera 11 90	150	98⅝	99⅛	+0⅛	−0⅛	11.20
Nat. West. 9⅞ 92	100	103⅞	104⅛	0	0	9.25
OKB 9¾ 86	150	101⅜	102⅞	−0⅛	−0⅛	9.36
Philip Morris 8¼ 90	100	99½	100	+0⅛	0	8.29
Quebec 10⅛ 92	150	103	103½	−0⅛	−1½	9.56
Renfe 10 92	100	99⅝	100⅛	+0⅛	−0⅛	10.04
Tauernautobahn 9⅞ 94	50	101½	102⅛	+0⅛	−1⅛	9.59
World Bank 9½ 89	100	101⅝	102⅛	0	0	9.08
World Bank 8½ 92	200	97⅜	97⅞	+1⅞	−0¼	8.87

Average price changes On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6¾ 92	100	100½	100⅞	+0⅛	−0½	6.16
Asian Dev. Bank 7 92	100	100⅜	100⅞	+0⅛	−0⅛	6.93
Aucalsa 7⅞ 92	80	97½	97⅞	0	−1½	8.10
Australia 6½ 94	100	103⅜	103⅞	+0⅛	−0⅛	6.07
Cse. Nat. l'Energie 7 92	100	101	101⅛	+0⅛	−0⅛	6.84
CFE-Mexico 8¼ 92	50	98½	98⅞	+0⅛	−0⅛	8.45
Co-op. Denmark 8½ 92	25	105	105⅜	+0⅛	+0⅛	7.60
Crown Zellrbch. 6⅞ 92	100	101⅛	101⅜	+0⅛	−1	6.57
Europarat 7¼ 92	100	100½	101	+0⅛	−1⅛	7.14
First City Fin. 8¼ 92	25	102⅜	102½	0	−1⅛	7.88
Ind. Fund Finland 6¾ 92	30	98⅜	98⅞	+0⅛	−0⅛	6.96
Kobe City 6¼ 92	100	100⅛	100½	+0⅛	−0⅞	6.07
Kommunlane 7¼ 92	35	100	100½	−0⅛	−0⅛	7.21
Manitoba 7 92	100	105	105⅜	0	−0⅛	6.27
Mitsui OSK 6½ 92	100	100⅛	100⅜	+0⅛	−1⅛	6.46
National Pwr. Co. 8 92	30	103⅜	103⅞	+0½	−0½	7.45
Nippon T. and T. 6⅜ 92	100	102¼	102½	+0⅛	−1	6.28
OKB 7¾ 92	100	103½	103¾	+0⅛	−0⅛	7.21
Ost. Postspar 7½ 92	100	102⅝	102⅞	+0⅛	−1⅛	7.09
Philip Morris 6⅞ 92	100	103	103⅜	+0⅛	−0⅞	6.19
Philip Morris 6⅞ 94	100	101	101⅜	+0⅛	−1	6.11
Quebec 7¾ 92	100	104⅝	105	+0½	−1⅛	6.89
Renfe 7¾ 92	80	99	99½	+0⅛	−0½	7.86
Sekisui Pre. 5¾ 92 WW	70	103⅜	103⅞	+0⅛	−1⅛	5.27
Soc. Lux. de Cnt. 8¼ 92	80	105⅞	106⅜	+0⅛	+0⅛	7.12
Vorarlberg Kraft 6¾ 92	50	101⅝	102	−0⅛	−1⅛	6.48

Average price changes... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 91	15	99½	100⅛	0	0	8.36
Int.-Amer. Dev. 8⅞ 91	15	101⅞	102⅞	0	−0½	8.58
Japan Airlines 7⅞ 87	9	96¼	96¾	+0⅛	−0⅛	8.80
New Zealand 8¾ 87	15	99⅛	100⅛	−0⅛	−0⅛	8.40
World Bank 8½ 92	20	98⅛	98⅝	−0⅛	+0½	8.52

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 CS	100	†95¼	96¾	+0⅛	−0½	15.94
Can. Pac. S. 16⅞ 89 CS	50	†98⅞	99⅜	+0⅛	−0⅛	16.72
Crd. Foncier 17⅛ 89 CS	30	†99	99½	0	−0½	17.28
Hudson Bay 17 89 CS	40	†98¾	99¼	+0½	−0½	17.23
Q. Hyd. 16½ 89 (My) CS	50	†98½	99	+0⅛	−0⅛	16.80
Quebec Prov. 16½ 89 CS	60	†98¾	99¼	−0⅛	+0⅛	16.69
Simpsons 16⅛ 89 CS	40	†96	96¾	0	−1	17.58
U. Bk. Nwy. 9½ 90 EUA	18	89½	90½	+0⅛	−0½	11.50
Amro Bank 10 87 Fl	150	98⅝	99½	+0⅛	−0⅛	10.16
Bk. Mees & H. 10 87 Fl	75	98⅝	99⅛	+0⅛	−0⅛	10.26
Eurofima 10½ 89 Fl	50	100⅛	100⅝	−0⅛	−0⅛	10.40
Ireland 10½ 87 Fl	75	98⅞	99⅜	+0⅛	−0½	10.78
Phil. Lamps 10⅛ 87 Fl	100	100¼	100¾	+0⅛	−0⅛	10.10
World Bank 10 87 Fl	150	98½	99	+0½	−0⅛	10.33
OKB 14 86 FFr	400	92	93	0	−0⅛	16.81
Solvay et C. 14¾ 86 FFr	200	92	93	+0⅛	−0⅛	17.56
Acona 14 85 £	20	96¾	97¼	+0⅛	+0⅞	15.18
Beneficial 14¾ 90 £ (D)	20	89⅜	90⅜	0	+0⅛	16.42
BNP 13½ 91 £	15	93⅞	94⅞	+0⅛	+0⅛	14.65
CECA 13½ 88 £	20	95½	96½	+0⅛	+0⅛	14.48
Fin. Ex. Cred. 13¾ 86 £	15	96⅛	97⅛	0	+1	14.92
Gen. Elec. Co. 12½ 89 £	50	93	94	+0⅛	+0½	14.02
Hiram Walker 14⅜ 86 £	25	98	99	+0⅛	+0⅛	14.74
Privatbanken 14½ 88 £	12	94⅞	95½	+0⅛	+0⅛	15.84
Quebec 15½ 87 £	35	101⅞	102⅞	+0⅛	−0⅛	14.73
Reed (Nd) NV 16⅜ 89 £	25	104	105	−0⅛	+0⅛	15.56
Royal Trustco 14 86 £	12	98	99	0	−0⅛	14.48
SDR France 15½ 92 £	30	100⅛	100⅞	−0⅛	+0⅛	15.36
Swed. Ex. Cr. 13⅜ 86 £	20	98	99	+0⅛	+0⅛	14.23
Eurofima 10½ 87 LuxFr	500	95½	96½	0	−0⅛	11.51
EIB 9¾ 88 LuxFr	600	91½	92½	0	−0⅞	11.67

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98½	98⅞	15/10	15.69	15.91
Bank of Montreal 5¼ 91	0¼	98⅞	99⅛	29/10	15⅞	15.26
Bk. of Tokyo 5¼ 91 (D)	0⅛	99	99½	8/12	15⅝	16.37
Bk. Nova Scotia 5¼ 93	0¼	99¼	99¾	29/10	15½	15.20
BFCE 5¼ 88	0¼	99¼	99¾	28/10	15	15.08
BFCE 5¼ 87	0¼	99⅛	99⅞	27/7	16¾	16.31
Caisse Nat. Tele. 5¼ 90	0¼	99¼	99¾	21/10	15¼	15.83
CCCE 5¼ 2002	0⅛	98½	99	11/6	14.82	15.00
Co-Ban Eurofin 5½ 91	0⅜	99	99½	14/10	16	16.12
Credit Agricole 5¼ 97	0¼	99⅛	99⅝	24/9	15.44	15.53
Credit Lyonnais 5¼ 97	0¼	99⅛	99⅞	1/10	16	16.06
Credit Nat. 5¼ 94	‡0¼	98⅝	99⅛	9/9	14.89	14.87
Denmark, Kngdm. of 92	0⅛	†99⅜	99⅞	25/8	15.44	15.56
Den Norske Cred. 5½ 93	0¼	98	98½	4/12	15	15.27
Ind. Bank Japan 5¼ 88	0⅛	98¾	99¼	12/11	14½	14.57
Ireland 5¼ 89/94	0⅛	†98½	99	25/11	14⅝	14.94
Kansallis-Osake 5½ 92	0¼	99¼	99¾	6/11	15.31	15.39
Lloyds Eurofin 5¼ 93	§0⅛	99¼	99¾	29/10	17⅛	17.21
Long Term Cred. 5¼ 92	0⅛	98⅝	99⅛	29/11	14⅝	14.85
J. P. Morgan 5¼ 97	§0⅛	98⅝	99⅛	12/8	14⅝	14.77
Nat. West. Fin. 5¼ 91	§0⅛	99¼	99¾	16/7	15.19	15.26
New Zealand 5⅛ 87	0⅜	99⅜	99⅞	7/10	15.56	15.62
Nippon Credit 5¼ 90	0¼	99⅛	99⅝	10/8	16.06	16.16
Offshore Mining 5¼ 91	0¼	98	98½	2/12	14.19	14.29
PKbanken 5 91	0¼	99	99½	17/6	14⅛	14.48
Scotland Int. 5¼ 92	0⅛	98¾	99¼	23/9	16⅝	16.52
Sec. Pacific 5¼ 91	0⅛	99½	100	24/11	15	15.04
Societe Generale 5¼ 95	0¼	99⅛	99⅝	1/9	15.31	15.41
Standard Chart. 5¼ 91	0¼	98¾	99¼	18/11	14⅞	15.03
Sumitomo Fin. 5½ 88	0⅛	99½	100	9/8	16	16.04
Sweden 5¼ 89	0¼	99⅛	99⅝	26/8	15.31	15.41
Toronto Domin'n 5¼ 92	0¼	99	99½	11/8	16⅜	16.50

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	84½	85⅞	+2½	5.25
Bow Valley Inv. 8 95	4/81	23.12	99	100½	0	63.96
Bridgestone Tire 5½ 96	3/82	470	87⅞	88⅝	+5⅞	3.42
Canon 6¾ 95	1/81	829	90¾	92½	+5¼	12.50
Daiwa Secs. 5½ 96	12/81	513.3	†65	67	+1	3.18
Fujitsu Fanuc 4½ 96	10/81	5641	91½	93½	+11⅞	21.77
Furukawa Elec. 5¼ 96	7/81	300	93	94⅝	+5⅞	−0.22
Hanson O/S Fin. 9½ 96	8/81	7.36	†88	94	0	−7.19
Hitachi Cable 5¼ 96	2/82	515	84½	86¼	+4½	4.92
Hitachi Cred. Cpn. 5 96	7/81	1672	76⅜	78⅝	+2¾	8.08
Honda Motor 5½ 97	3/82	841	85⅞	87½	+5⅞	7.82
Inchcape 8 95	2/81	4.55	†58½	60	0	21.48
Kawasaki 5¼ 96	9/81	229	61½	62⅞	+2¼	10.35
Marui 6 96	7/81	846.4	102½	104¼	+3⅞	5.55
Minolta Camera 5 96	10/81	826.4	61¼	62⅞	+2	25.06
Minorco 9¼ 97	5/82	8.16	†83	84½	−2	37.66
Murata 5¼ 96	7/81	2168	69½	71	+2⅞	21.91
NKK 6½ 96	7/81	198	70⅞	72⅝	+3⅞	23.36
Nippon Chemi-C. 5 91	10/81	919	82	84	+0⅞	18.41
Nippon Electric 5¼ 97	2/82	846	95½	96⅞	+6½	11.55
Orient Finance 5¼ 97	3/82	1205	94¼	95¾	+2¼	12.83
Sanyo Electric 5 96	10/81	652	69⅜	70¼	+3	15.29
Sumitomo Elec. 5½ 97	3/82	677.2	90⅞	92⅞	+5⅞	11.43
Sumitomo Met. 5½ 96	10/81	296.1	65	66½	+2¼	41.16
Swiss Bk. Cpn. 6¾ 90	9/80	191	73½	76½	+0⅛	24.17
Konishiroku 6 90 DM	2/82	595	100⅞	101⅞	0	8.79
Mitsubishi H. 5 89 DM	2/82	263	80⅝	81⅞	−0⅞	23.67

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	7,412.2	7,342.4
Previous week	4,173.7	8,344.9
Other bonds		
Last week	1,121.5	659.4
Previous week	1,141.9	666.2

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 11

TECHNOLOGY

EDITED BY ALAN CANE

Total could cut cost of pipeline repairs

BY ALAN CANE IN BERGEN

A TECHNIQUE for repairing gas-carrying deep sea pipelines has been developed here by the French Total CFP organisation, which promises to cut by half the cost of conventional repairs.

It consists of a method of inserting two rubber composition plugs in the pipeline on either side of the damaged area so the faulty section can be cut out without flooding the line.

According to Total CSF, this technique when it has been fully proved, should cut the cost of repairing major damage to, say, the 800 km Frigg pipeline from US$400m to US$200m.

The basic principles are not new—British Gas has been using a technique involving rubber plugs for low pressure pipelines since at least 1968 according to industry experts—but the Total technique is designed specifically for deep water where pressures can be 300 pounds per sq in and more.

No novelty

That such a technique is no mere novelty is illustrated by the fact that official figures show there were at least 82 instances of damage to gas and oil lines in British waters (chiefly in the North Sea) between 1975 and 1981.

Most of these were caused by ships' anchors or by trawl boards; there was no loss of life and in only one case was there significant leakage.

Nevertheless, a deep sea repair kit is becoming an essential part of the pipeline contractors' set up.

Conventionally, if a gas pipeline is damaged (*buckled* in the industry jargon) the flow is cut off and the pipe flooded with seawater prior to cutting out the damaged section and replacing it.

It is possible to add in a piece of by-pass piping to keep the flow going during repairs, but this leaves the repaired line with flanges protruding; these are clearly weak points.

Flooding a gas line is a ticklish procedure; anti-corrosion chemicals have to be added to protect the inner surfaces of the pipework and there is also the possibility of a chemical reaction between seawater and hydrocarbons in the gas, resulting in an ice-like substance the industry calls hydrate which can block the line.

According to Mr John Lowe, of British Undersea Pipeline Engineers (BUPE), if Total has indeed developed a technique able to plug a 32-inch undersea pipeline to withstand pressures of 300 lb per square inch, the undersea contractor's repertoire will have been considerably strengthened.

Essential repairs

Mr Alan Milton of British Undersea Engineers put it more strongly: "It is essential in gas pipeline repairs underwater to avoid the formation of hydrate in the line."

Does the Total technique live up to its promise? First, it must be said that Total is releasing details of the technique at a very early stage; it has spent about NKr 16m so far on research and development and expects to spend about NKr 40m in all by the end of the project.

Land tests of the system will not be completed until the end of this year.

A complete repair operation at the depth of the Frigg line will not be demonstrated until the spring of next year.

If the Frigg line was damaged today, Total could not use its new technique to repair it despite the huge savings promised.

What Total has done is develop a method of trepanning a hole in an undersea pipe, cleared of gas, through which mechanical arms (launcher) thrust the plugs into the line. The hole has to be cut at 45 degrees to allow suitable clearance for the plug.

The plug can be one of two kinds—a capsule, steel braced like a Michelin tyre, developed by Kleber, or a rubber composition ball developed by Pronal.

When in place, the plugs are inflated using sea water to a pressure at which they seal the line effectively.

Once the line is sealed, the damaged section can be cut out, and a new section let in cleanly using conventional hyperbaric welding techniques.

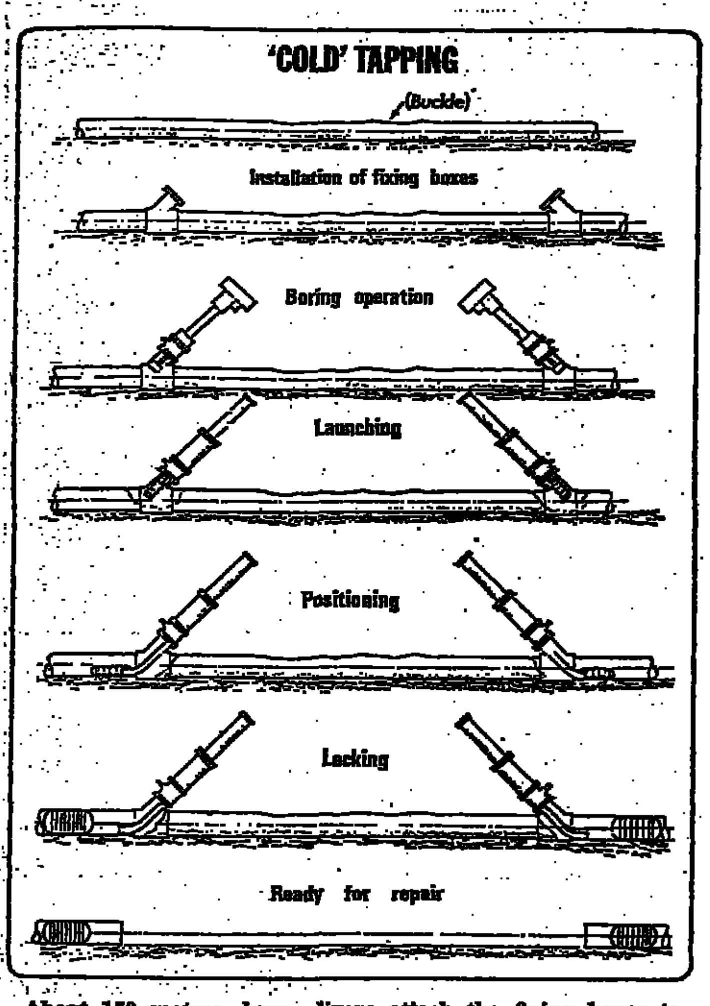
How are the plugs removed from the line? Gas pressure in the line, when it is restored, is considerably above the pressure the plugs are designed to resist, and they are simply blown along the line and out.

The secret of the Total "cold-tapping" technique is the new composition rubbers used in the plugs. Pronal is a specialist in the kind of elastomers Total has found essential for its oil technology.

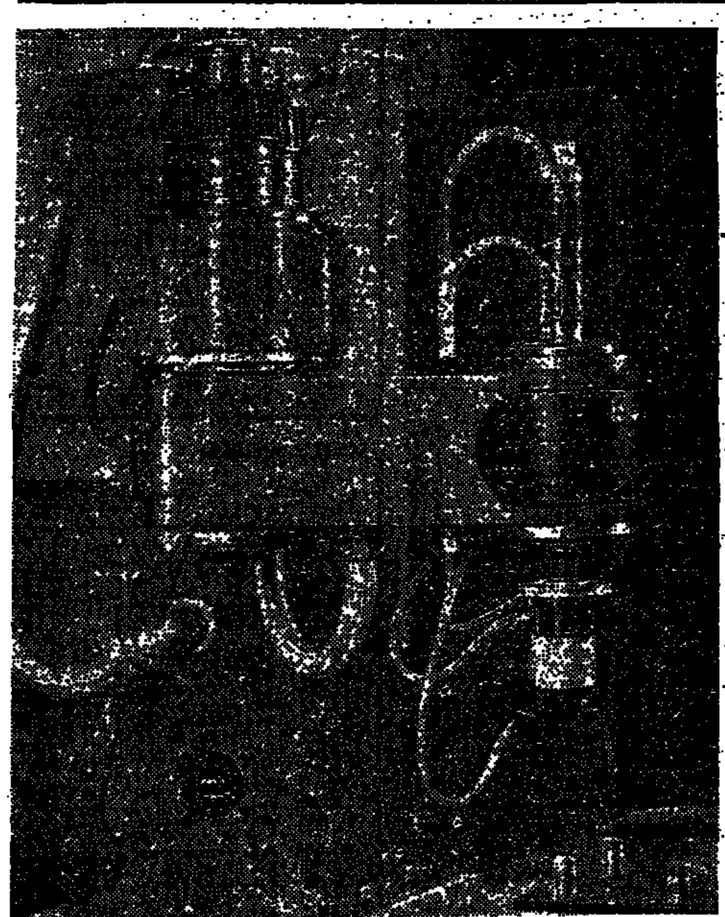
The contractor for the project—part of Total's wide ranging deep sea pipeline programme—is Comex-Kongsberg; the work is going on outside Bergen where there are adequate shallow and deep water test facilities.

Mr Rene Quinn, cold tapping project manager, said he believed the new technique could save 40 of the 85 days it now takes to flood, dry and repair a line. The cost to the customer would be in the region of 5 per cent of the revenues saved.

The technique will be offered to pipe line operators on a royalty basis.



About 150 metres down, divers attach the fixing boxes to the damaged pipe to take first the tapping machine and then the plug launcher. Buckle and boxes are then cut away.



The Daros PT 300H from Dainichi-Sykes Robotics is a DC servo motor driven robot, shown here simulating a precise assembly process to a tolerance of ± 0.1 mm. The PT 300H, which is also available in vertical configuration as the PT 300V, features either pneumatic or DC servo driven vertical movement to assist positioning. Details from Dainichi-Sykes Robotics Limited, Walton Summit Centre, Bamber Bridge, Preston, Lancashire. Telephone 0772 322444.

Talking through the typewriter

A MACHINE called Type-'n-Talk developed by Votrax of Detroit has been made available in the UK by Sands-Whiteley Research and Development of Royston.

The unit can work over an RS 232 link to a variety of computers and allows any alphanumeric material entered on a keyboard and normally seen by the user on a VDU screen, to be heard from a loudspeaker.

Thus, dumb people become able to speak through the machine and blind people, who cannot use computers where interaction with a screen is involved, can now interact on a verbal basis with computing systems. Typewritten words are automatically translated into "electronic" speech by the unit's microprocessor-based text-to-speech algorithm.

There are some restrictions about how the English words are typed—something of a phonetic approach is used, so that for example "plough" is entered as "plow" to avoid "cough, bough, dough" problems. GEOFFREY CHARLISH

Telephone efficiency

USING telephone lines more efficiently is the aim of ATS Communications, of Haywards Heath, Sussex.

It has recently introduced the telephone line doubler which it says can increase the telephone call capacity on a limited number of telephone lines.

The equipment uses a technique borrowed from satellite communications. Basically, a microprocessor listens for the natural pauses between conversions and uses any silences to insert part of someone else's conversation.

By interweaving the speech it is possible to almost double capacity of the telephone system. The microprocessor ensures that one conversation is not mixed with another.

ATS say that the major users of such equipment would be major companies which have a number of privately leased lines for inter-office communications. More information on 0444 414911.

High speed analogue data store

MICRO CONSULTANTS has launched a new version of its high speed data recording system which is designed for military and industrial applications.

Dubbed PCI, the system is capable of accepting several hundred analogue channels but stores the information on only 28 tape recorder tracks to use tape economically. More information on 01-668 4151.

Estimating and control by computer

P-E CONSULTING GROUP and CPS Data Systems have developed a microcomputer based system for estimating and control.

Called "React" it costs only £10,000 for a single user system and just under £20,000 for four terminals, processor, 10 Mybyte Winchester disc drive and 240 characters per second printer.

The system is claimed to carry out: assembly by build up and quotation summary listings, component routeing information, estimating routines for material and labour costs, progress control, and cost reporting.

So CPS and P-E are the latest to offer a microcomputer based solution to what has been a problems solved using a mini. More on 021 707 3866.

ALAN CANE

Portable terminal

WEIGHING ONLY six ounces and with dimensions of 5¼ x 2¼ x ¾ inch, the latest portable terminal from MSI is equipped with an accoustic coupler and can clip directly on to the mouthpiece of a telephone for data transmission to a remote location.

The MSI/55 has a 12 digit liquid crystal display and its 20-key keyboard will accept a wide variety of data formats including modification of entries and check digit verification.

To confirm or amend previously made entries it is possible to page backwards through the data until the entry in question is located.

Up to 4,000 characters of data can be accumulated in this way for later transmission at the press of a key. The unit is powered by disposable wristwatch batteries which will provide over three months' regular service.

The machine, which can also be used as a conventional calculator, costs £185 in quantities of 100. More on 0734 587661.

Aid for robot welding

A NEW range of high speed robot manipulators called Orbit has ben launched by ESAB. It will be of interest to companies intending to bring in robot welding of heavier workpieces since there will be models able to cope with loads of 160, 500, 1600 and 5000 kg.

The machines use servo-motor rather than pneumatic drives with the result that heavy workloads can be turned through 90 deg in 2.7 secs compared with about 11 secs in the company's earlier models.

It is claimed that these new machines, of low inertia, are not subject to heavy stresses because balancing is excellent and the workpiece is moved around in its own centre of gravity.

Movement is controlled by a microprocessor, as are the welding parameters, and setting up a program is said to be no more difficult than using a simple calculator. More from ESAB AB, Herkulesgatan 72, Box 8004, 402 77 Gothenburg, Sweden.

هكذا من الأهل

WORLD STOCK MARKETS

AUSTRIA

1982 High	1982 Low	June 11	Price %
222	211	Credit'stalt Pfd.	211
204	180	LaenderbankPfd	181
301	258	Perlmooser	285
106	64	Semperit	68
178	158	Steyr Daimler	158
210	190	Ueitscher Mag	190

BELGIUM/LUXEMBOURG

1982 High	1982 Low	June 11	Price Frs.
1,700	1010	ARBED	1,160
4,100	3,800	Bank Int A Lux	4,100
2,105	1,450	Bekaert B	2,075
1,845	1,230	Ciment CBR	1,500
215	141	Cockerill	156
2,050	1,560	EBES	1,615
4,740	3,550	Electrobel	4,250
2,950	2,000	Fabrique Nat	2,470
2,720	2,180	G.B. Inno	2,510
1,720	1,200	GBL (Brux L.)	1,370
1,950	1,490	Gevaert	1,700
3,750	2,550	Hoboken	3,150
1,570	1,304	Intercom	1,334
5,130	4,000	Kredietbank	4,650
6,030	5,500	Pan Hldgs.	6,030
5,020	4,290	Petrofina	4,540
5,600	4,300	Royale Belge	5,350
2,340	1,650	Soc. Gen. Banq	2,235
1,576	1,030	Soc. Gen. Belge	1,190
3,950	3,100	Sofina	3,405
2,350	1,820	Solvay	2,000
2,940	2,220	Traction Elect.	2,530
2,450	1,400	UCB	2,325
2,130	1,316	Vieille Mont.	2,060

DENMARK

1982 High	1982 Low	June 11	Price %
129	113.2	Andelsbanken	115.2
420	319.4	Baltica Skand	319.4
148	125	CopHandelsbank	126
370.6	313.4	D. Sukkerfab.	314.6
145	125.4	Danske Bank	126
145.2	87.2	East Asiatic	89.6
646	517	Forenede Brygg.	553
461	386	Forenede Damp.	407
288	232	GNT Hldg.	237.4
191	170	Jyske Bank	175
158	130.6	Nord Kabel	130.6
1,751	1,400	Novo Ind.	1,630
96	86	Papirfabrikker	86
150	122.4	Privatbanken	122.4
130.2	113	Provinsbanken	115
272	167	Smidth (Fl)	174
520.2	465	S. Berendsen	509
145	89.2	Superfos	90

FRANCE

1982 High	1982 Low	June 11	Price Frs.
2,000	1,656	Emprunt 4½% 1973	1,737
7,100	5,490	Emprunt 7% 1973	6,508
3,067	2,570	CNE 3%	3,048
512	437	Air Liquide	493
167.9	115	Aquitaine	125.5
178.5	116	Au Printemps	164.5
550	380	BIC	528
1,210	662	Bouygues	690
1,566	1,160	BSN Gervais	1,526
1,732	1,480	Carrefour	1,566
636	465	Club Mediter	566
620	530	CFAO	530
260	156.5	CFS (Thomson)	161
230	160	Cie Bancaire	165
352.5	269	Cie Gen Eaux	314
124	108	Cofimeg	120.1
94	49.6	Creusot Loire	89.7
139	112	CFP	139
83	36.1	DNEL	47.8
1,550	1,020	Dumez	1,135
427	360	Gen. Occidental	485
96	57.5	Imetal	68.5
287	242.8	Lafarge	264
1,010	712	L'Oreal	965
1,705	1,380	Legrand	1,605
36.1	25.4	Machines Bull	33.5
1,460	1,195	Matra	1,460
837	615	Michelin B	680
775	542	Moet-Hennessy	723
68.3	57	Moulinex	65.1
404	273.5	Pernod Ricard	388
186	145.5	Perrier	178.9
195	149.0	Peugeot-SA	149
219	124.1	Poclain	137.8
336	189	Radiotech	316
1,074	760	Redoute	1,074
321.5	216	Roussel-Uclaf	319
630	474	Skis Rossignol	530
1,168	730	Telemech Elect.	810
248.9	169	Valeo	205

1982 High	1982 Low	June 11	Price
2.28	1.95	Boustead Bhd.	1.97
4.4	3.54	Cold Storage	3.88
8.7	7.1	DBS	8.00
6.75	5.15	Fraser & Neave	6.35
3.7	2.6	Haw Par	2.75
2.36	1.76	Inchcape Bhd.	2.04
7.7	5.4	Malay Banking	6.20
5.35	4.58	Malay Brew	5.0
12.7	8.2	OCBC	8.45
2.92	2.0	Sime Darby	2.00
7.3	4.25	Straights Trdg	5.80
4.98	3.96	UOB	4.08

SWEDEN

1982 High	1982 Low	June 11	Price Kronor
224	190	AGA	192
219	197	Alfa-Laval	201
200	157	ASEA (Free)	174
403	350	Astra	400
134	101	Atlas Copco	103
234	163	Boliden	163
285	212	Cellulosa	212
95	82	Electrolux B	82.5
228	192	Ericsson	206
175	115	Esselte (Free)	126
217	120	Fagersta	135
150	91	Fortia (Free)	127
165	106	Mooch Dom	110
141	125	Saab-Skania	130
241	175	Sandvik (Free)	177
580	440	Skandia	460
260	191	Skan Enskilda	218
164	115	SKF B	115
354	264	St. Kopparberg	270
137	95	Sven Handelsbn.	105
125	100	Swedish Match	105
164	129	Volvo (Free)	148

SWITZERLAND

1982 High	1982 Low	June 11	Price Frs.
675	483	Alusuisse	503
1,150	910	Brown Boveri	925
1,346	1,205	Ciba-Geigy	1,275
1,050	910	do. (Part Certs)	1,010
2,310	1,685	Credit Suisse	1,750
2,375	2,190	Elektrowatt	2,350
620	400	Fisher (Geo)	450
63,500	55,900	Hoff-RochePtCts	60,000
6,325	5,600	Hoff-Roche 1/10	5,600
5,900	5,250	Interfood	5,600
1,380	1,160	Jelmoli	1,325
1,100	800	Landis & Gyr	810
3,395	3,070	Nestle	3,300
1,486	1,030	Oer-Buehrle	1,155
239	210	Pirelli	225
4,450	4,040	Sandoz (Br)	4,075
548	497	Sandoz (Pt Cts)	547
290	238	Schindler (PtCts)	275
750	638	Swissair	695
325	285	Swiss Bank	289
6,600	5,750	Swiss Reinsce	6,000
1,030	850	Swiss Volksbk	990
3,310	2,850	Union Bank	2,880
2,425	2,050	Winterthur	2,270
16,100	14,450	Zurich Ins.	14,600

1982 High	1982 Low	June 11	Price
22	15	Tiger Oats	16.25
4	2.95	Unisec	3.20

Financial Rand US$0.80½ (Discount of 12½%)

BRAZIL

1982 High	1982 Low	June 11	Price Cruz
1.95	1.32	Acesita	1.70
16.65	9.45	Banco Brasil	16.35
6.70	3.1	Belgo. Min.	6.65
—	—	Brahma PP	5.95
8.85	6.50	Lojas Amer.	6.76
—	—	Mannesmann OP	2.60
12.20	6.5	Petrobras PP	11.35
11.20	6.31	Souza Cruz	10.90
15.0	4.65	Unip PE	14.50
17.50	7.6	Vale Rio Doce	17.25

TEL AVIV

Company	Prices June 13 1982	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	1,351	+ 37
IDB Bankholding	2,182	+ 33
Bank Hapoalim Br.	1,808	+ 47
Union Bk. of Israel Br.	1,406	+ 15
United Mizrahi Bank	923	+ 35
Hassneh Insurance Br.	1,820	+ 78
Leumi Mort. Bank Br.	800	+ 70
"Tefahot" Isrl. Mt. Bk.	2,295	+ 15
Daviot S/O Is.	323	— 4
Land Development		
Africa Israel Inv. I£10	4,170	+ 57
Israel Land Devpt. Br.	1,500	+170
Property and Building	1,770	+ 87
Public Utility		
Super Sol "A"	1,335	+ 98
Investment Companies		
Bank Leumi Invest.	856	+ 4
"Clal" Israel Invest.	944	— 10
Discount Invest.	1,205	— 12
Commercial and Industrial		
Dead Sea	2,120	+175
Polgat "B"	1,775	—
Argaman Textile Br.	1,836	— 50
"Ata" Textile "C"	1,040	+ 38
Amer. Israeli Ppr. Mills	1,590	+ 98
Elite	2,510	+ 64
Teva Reg.	1,901	+110
Fuel and Oil		
Delek	2,220	— 69

Source: Bank Leumi le Israel BM, Tel Aviv. † Bid.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FINANCIAL TIMES SURVEY
Monday, June 14 1982

Channel Islands

The popular and deserved view of the Channel Islands as a convenient and pleasant holiday resort has come to be modified in recent years by the growth of a sophisticated offshore banking centre. This has greatly reinforced their economy

NEW COMPANY REGISTRATIONS

JERSEY	1977	1978	1979	1980	1981
Trustee, finance and mutual fund companies	74	51	46	35	38
Private investment companies: for:					
Jersey residents	114	102	88	71	58
British Isles residents	220	168	202	209	149
Residents outside British Isles	373	384	366	521	527
Trading companies for:					
Jersey residents	368	301	310	283	302
British Isles residents	246	256	310	300	322
Residents outside British Isles	374	503	698	869	1,078
Total	1,769	1,765	2,020	2,288	2,474
Aggregate companies at year-end	11,387	12,513	13,813	15,210	16,643
GUERNSEY					
Number of companies at year end	4,924	5.526	6,162	6,690	7,295
of which formed during year	899	879	898	1,003	1,072

Banking rivals tourism as mainstay

BY ANTHONY MORETON, Regional Affairs Editor

FROM THE size of the crowds moving along St Helier's pedestrianised King Street on Jersey or the High Street at St Peter Port on Guernsey it would appear that the Channel Islands are having a good season. Certainly tourism is much improved on Jersey this year, though the omens are not quite so bright on Guernsey where forward bookings are slightly down.

What has helped Jersey is television. Last year the island was the backdrop to a BBC detective series called Bergerac and this led to an enormous increase in interest in Jersey. Hoteliers and the tourist authority report a surge of inquiries while the series was running and many visitors mentioned it while booking.

Fortunately for Jersey the BBC is making a second series for showing this summer and is planning to re-run last year's series in 1983 so Jersey should continue to benefit for the next couple of years. With the fine spring weather, which always helps those holidaymakers who delay booking until the last moment, there are hopes that Jersey may edge close to the record numbers who arrived in 1980.

The resurgence in the holiday industry in Jersey and, to a lesser extent the holding of the line in Guernsey, where the outlook appears to be for a drop of no more than 2 per cent this year, is gratifying. Tourism still accounts for a very large share of the Islands' national incomes and any drop has to be made good elsewhere.

But if tourism continues to play a strategically important part the Islands' main strength these days is as an offshore financial centre. With a single rate of tax—20 per cent—and no capital taxes the Islands are an enviable place to do offshore business.

That business continues to expand in both islands. One more international bank, Anglo-Irish Banks, has opened in Jersey, bringing the total to 48. A number of others have also made approaches to the authorities and a decision is expected towards the end of the year.

Guernsey has not seen any additions to its strength in the past two years but another bank, coming from outside Europe and the U.S. is expected to announce its intention to open in St Peter Port within the next few months. This would bring the local total to 43.

Both islands now are in the happy situation of being able to be very selective towards potential applicants. They are predominantly looking for blue-chip names that will add to the internationalism of the islands and are less likely to smile favourably on a bank which duplicates the services or geographic area of one already there.

On Jersey the finance and banking sector now accounts for about 25 to 26 per cent of the national income, while in Guernsey it is just over 40 per cent. On Jersey the wealthy immigrants contribute another 23 to 24 per cent of national income and, as in the finance sector, the States (or government) takes a very selective line about potential immigrants.

Wayside

It is probably more difficult for a wealthy man to get into Jersey than into Heaven. Although there are no written rules it is generally accepted that a potential immigrant must be able to contribute at least £10,000 a year in tax, which postulates a gross income of £50,000, and must buy a house that will cost about £200,000. These figures vary slightly according to economic circumstances—that is, whether Jersey wants more or fewer people.

It is not enough, though, simply to have money. A tough interview with the Island authorities is necessary and many fall by the wayside. At the moment Jersey is taking about 15 wealthy people a year, though it might edge up to 20 this year.

If the potential immigrant does not succeed in this approach he, or she, can live in digs for 10 years after which they are allowed to rent accommodation for another 10 years. Then, after 20 years, they are allowed to buy a property.

On Guernsey the rules for the rich are rather different. A potential immigrant can take up residence if he can buy a house on the open register. There are only 1,200 of these and only a small number are on the market at any one time. They invariably command a price well into six figures.

These regulations have not stemmed the flow of those who want to live on the Islands. For this, the Islands point to their political stability, financial probity, attractive climate, nearness to London and pleasant environment.

It is the first two of these factors which have contributed to their enormous growth as financial centres. Neither the abolition of exchange controls in Britain in 1980 nor the appearance of International Banking Facilities in New York earlier this year had done anything to reverse the flow of funds into the Islands.

It was thought by some commentators at one time that the New York move might lead to a repatriation of Euro-dollar funds to the U.S. but the figures show no reduction in the level of deposits recorded in either island this year.

The development of international loan operations and their funding has led to deposits on Jersey rising above £13bn. This compares with £7.9bn at the end of 1980 and £11.5bn at the end of last year. On Guernsey it was reported that there was not a great amount of "booked" business on the island because it was much more a transaction centre. Here, too, funds have been rising strongly and are now approaching £3bn.

Both islands continue to attract new company registrations. The total went to 2,474 in Jersey last year compared with 2,288 in 1981. The big growth was in trading companies registered for residents outside the British Isles, where a 24 per cent increase took the figure to 1,078.

The same rise took place in Guernsey, where 1,072 companies were formed in the year, the majority for non-Britons. The increasing internationalism of the new company registrations is a matter of considerable satisfaction to the authorities on both islands.

Captive

Stung perhaps by the success of Guernsey in setting up as a centre for the captive insurance business Jersey is moving into this field too. An Insurance Business Law is being proposed which will remove the impediments to incorporating an insurance company. This law is expected to be debated by the States in the summer and, if passed, could be law by next spring.

However, Jersey's intention is to allow in only the blue-chip names in the hope that this method will be self-regulatory. The Islands have a fear of a spreading bureaucracy.

Such an approach could be short-sighted. Insurance is a fast-moving business and an amount of regulation is almost certainly necessary. Guernsey, which has allowed captive insurance for some years, and now has over 100 companies, is moving towards a new insurance law which will allow it greater control over its captives.

The island has the ability to vet companies when they are set up but now believes it needs an on-going capability which will give it closer supervision of the industry. It is concerned about the move by captives into third-party business and believes that if this happens such companies should be properly capitalised and have proper solvency margins.

Guernsey is also noticing the emergence of an international reinsurance market, which reinforces its belief that some degree of regulation is necessary.

The long saga of Jersey's attempt to bring its company legislation up to date appears to be coming towards a conclusion. The story started back in 1971 when a former official was asked to draft a revised company law to take into account modern conditions. That report, published in 1975, was received with stunned amazement and the financial community fought a long and so far successful battle against wide-ranging change.

However, partly under outside pressure and partly because of a recognition of the need to make some changes, the Islands have been edging ever nearer to reform. A Security Interests Law, which allows intangible movable property to be given as security for a loan, was passed last week by the States. This was the least important of the recommendations made in the 1975 report.

The next move will be the insurance law and then it is hoped to make progress with a new trust law, the final draft of which is being considered by officials. This will redefine the duties, powers and responsibilities of trustees and confirm the validity of trusts in Jersey. It is hoped to have this debated by the States by the end of the year.

But the big one, a new company law, is still a long way away. Equally distant is any move on insolvency. "Some progress" is reported to have been made on both items but the impression left is "not much."

Instrument

It has to be accepted that company law works in Jersey and that no matter how long it takes to bring in new legislation neither the island nor the financial community nor outside interests will suffer. But in a quickly changing world there is need for an instrument which will reflect modern conditions and only the inherent conservatism of the islands has prevented the adoption of new laws to meet modern conditions.

If company law revision is of particular concern in Jersey, Guernsey is much more concerned with attracting light industry to counter the structural changes that have taken place following the run-down of horticulture and the economic pressures on agriculture and fishing, three of the island's "traditional" industries.

Guernsey already has a certain amount of light industry, including one factory, Tektronix, which employs 600 workers. Its present industry covers micro-electronics, boat-building, toys, industrial heaters, temperature control units, packaging, knitwear, pharmaceuticals and food processing.

The island has launched a campaign to attract new industry. Up to now, according to Mr Roy Le Poidevin, president of the States Committee for Commerce and Light Industry, "we have always taken a passive role. Now we are moving over to a more active stance. We specifically do not want to concentrate on micro-chip or electronics industries but we do want to attract a wide range, a cross-section, of light industry."

The campaign started last October but it has really got off the ground this spring and Mr Le Poidevin confesses to being "very pleased indeed" at the response. "We are getting inquiries not only from industrialists but also from commercial firms which want to feature us."

The intention of the drive to seek more industry is to broaden the base of industrial opportunities, especially for young people. Although unemployment on the island is not high by UK standards—just under 700 out of a workforce of about 26,000—there will be 650 young people coming on to the register this summer and the evidence is that long-term unemployment is rising.

ISLANDS NOTEBOOK

BY ANTHONY MORETON

Travel by air

IF YOU'VE time to spare, go by air. The saying is just as applicable today as it was in the days of shoe-string and sealing-wax flying.

I remember James Cameron once writing a heartfelt piece about the travails of air travel. At the end of a long arduous stint many years ago he landed in New York and determined on a relaxed trip back to Blighty on one of the Queens. His plans were shattered when he received a cable from his office on the last morning in New York stating starkly: Urgent. Proceed Londonwards soonest. (They really did send cables like that in the old days.)

Cameron wearily resigned himself to the loss of his sea crossing and booked a ticket on the first available flight for London. In those days, before the Atlantic could be flown in a single hop, the route went via Gander, Greenland and Prestwick.

On the way Cameron's plane hit fog at Gander, engine trouble in Greenland and suffered further delays in Scotland. A very weary and washed-out Cameron arrived five days late at Waterloo on his way home to be met by passengers streaming off the boat train from Southampton, fully relaxed, well fed and nicely tanned by the Atlantic breezes.

I can't claim that my flight to Jersey came into that category but it always seems to be my misfortune to set out for the Islands when some hazard of weather conspires to defeat man's ability to keep aircraft flying. I once spent a whole day at Gatwick waiting for the first snow for heaven knows how many years to be cleared from Guernsey's runways.

This time, and not for the first, it was fog. Last year I could not get from Jersey to Guernsey and had to make a dash for the sea ferry, which was itself hours late. Fog is all the more unbelievable at the destination when it is patently so fine at Heathrow.

The one consolation is that people who live on islands know the problem only too well and build it into their calculations. You fix an appointment for 9.30 and they reply they will be glad to see you when you arrive, which is a very different thing. I once worried about not being able to get off the Shetlands in winter and was told not to worry, my hotel bed would still be available. How come? I asked, the hotel is full. "Yes," I was told, "but if the aircraft does not come in the person we let your room to won't be arriving. So it's yours."

Wealth symbols

IF YOU are rich and live on either Jersey or Guernsey the thing to do is to flaunt your wealth. No end of Rolls-Royces, Ferraris and Jensens are to be seen despite a speed limit on Jersey of 40 mph and an even more courtly 35 mph on Guernsey. At those speeds it must be difficult to get a Rolls out of first gear and the cost in petrol quite horrific (though softened by the price of just over £1 a gallon). On Guernsey the Ferrari owner has about 135 mph in reserve.

Things were not always thus. Older residents on Jersey can remember the time when there was just one Rolls on the island. "There goes Lady Trent," they would say. To have the only Rolls showed a real touch of class.

If the speed limits are frustrating the islands do have one good custom of alternate filtering from the right at roundabouts and unmarked crossings. This prevents long queues of stationary cars waiting to jump into a gap. Drivers always let the car on the right go first knowing that their turn comes next. Traffic is heavy but jams are few. Driving manners, like other manners, have a nice old-world touch about them. I saw one young boy, age about nine, lift his cap to the crossing warden as he came out of school.

Local flights

THE FLIGHT between Guernsey and Jersey takes just 15 minutes and must be the nearest thing to the days of pioneer flying one can get in the UK today. Aurigny Air Services' Trislanders take 16 passengers sitting two abreast and so tight is the fit it is virtually impossible to open a paper, let alone turn the pages.

For those who like their flying there's all the fun of watching it actually happen. Since there's no cockpit the pilot sits just a row ahead of the first two passengers and those in the front of the plane get a full view of all the checks he undertakes; lights come on or go off, switches are flicked, levers pulled or pushed and, suddenly, you're in the air. For those who are rather more apprehensive about flying the trip must be hell.

The airline plays an important role within the islands because it not only provides a bus-type service between Jersey and Guernsey but also links Alderney with the two as well as Southampton, Shoreham and Cherbourg. One of the fleet has the registration letters G-JOEY. If Aurigny were an American airline a pilot would no doubt have christened that plane Pal Joey.

Tailpiece

THERE IS a wine bar and restaurant in the centre of St Helier, on Jersey, called No. 10. Next door to it the building is being converted. The name of the contractor is Thatcher.

Water supply becomes political issue

THE CONCEPT of nationalisation is so alien on Jersey that many of its inhabitants are known to have uprooted from the UK just to avoid it. All the more surprising, therefore, that the island has just gone in for a little public ownership itself and, moreover, has done so without any overt opposition.

At the heart of the issue is who should control the island's waterworks or, more specifically, the 100-year-old Jersey New Waterworks Company. Water is an emotive enough subject in this country; ask the Welsh. But on islands water is one of the most important and jealously-guarded resources.

Plans to create a reservoir by flooding a local beauty spot led last year to a shareholders' revolt (the only sort of revolt deemed socially acceptable on Jersey) as a result of which three shareholder representatives were appointed. One of those, Mr Colin Tett, was a London accountant who claimed to have accumulated about a quarter of the shares.

The island's authorities were disconcerted at the size of this shareholding and the States agreed last week to spend £1m on acquiring just over half the shares in the company. Mr Tett attempted to counter this move by offering to buy shares providing the directors backed his bid and accepted it for their own holdings. They refused and went for the Government offer.

So Jersey looks like getting a national water board. One wonders if there will be any move before long to privatise the authority. Any number of high-Tories at Westminster could give guidance on this if wanted.

DATAPROCESSING HAS LINKED OLD AND NEW INDUSTRIES

From fruit to offshore finance

WHEN Fruit Export, a 78-year-old Guernsey firm of tomato growers and packers, invested in a computer in 1971 it was not looking much beyond mechanising its own accounts and offering a similar service to other growers and local businesses.

But the venture, launched at a time when tomatoes were still Guernsey's mainstay, has given Fruit Export, through its computer subsidiary, Datalink (CI), a profitable stake in the offshore finance industry that has increasingly taken over from horticulture.

Four banks in Jersey and Guernsey have installed a computer system called Databank, designed specifically for offshore conditions, and another Jersey bank is to start using it in September. Meanwhile potential users in other offshore financial centres are showing interest.

Packages

At Datalink's computer bureau alongside Fruit Export's packing sheds on the outskirts of St Peter Port, about 20 Channel Islands-based offshore funds are being processed.

The bureau is also handling, along with work for its parent company and other growers, an increasing volume of business for banks, finance companies and professional firms.

About 70 per cent of the annual returns made to the Guernsey company registry, and 35 per cent of those in Jersey, are processed by Datalink.

The change from being a horticulture-orientated service to being part of the finance industry's infrastructure began when Mr John Hare moved from Bermuda in 1977 to join Datalink as managing director.

With 20 years computer experience behing him, he had been data processing manager since 1968 for the Bank of Bermuda, going there originally to set up all their computer systems.

His arrival coincided with an approach to Datalink by Kleinwort Benson's Jersey and Guernsey subsidiaries, which were looking for an integrated computer system to replace their ageing mechanical and electronic accounting equipment.

Mr David Hinshaw, who heads Kleinwort Benson's operations in the islands, says no existing banking package seemed to come anywhere near meeting their requirements.

The packages on the market were generally geared to substantial foreign exchange and money market dealing operations.

What Kleinwort Benson wanted was a system capable of handling a typical offshore banking situation, involving a large number of deposit, loan and current accounts, as well as substantial stocks and shares transactions, largely on behalf of managed trusts and companies—and all stated in a variety of currencies.

The system also had to be independent; there was no question of linking into a computer based outside the Channel Islands. "We felt that clients must be totally confident that information regarding their affairs was retained entirely within the Channel Islands," says Mr Hinshaw.

One of the most wasteful aspects of Kleinwort Benson's existing system was that banking and security transactions had to be entered three times—first into the bank's own books, then into those of trusts and managed companies, and finally at the year-end into balance sheet and report formats.

It was therefore stipulated that the new computer system should automatically produce a mirror entry of each banking transactions in a separate trust or company record—and in the appropriate currency—and simultaneously post away the balances for the end-of-year reports.

Specifications

The specifications were clear, at least in outline; the problem was to get them translated into a working software package.

Kleinwort Benson, which did not have computer analysts or programming staff in the Channel Islands, decided that the best method would be to tie up with a suitable consultancy firm. Datalink was chosen because it was on the spot and a long period of development, requiring day-to-day liaison, was foreseen.

It took four years of close co-operation between the two teams to produce Databank—but it was "a good marriage," says Mr Hare.

The result was a self-contained, in-house system that could handle all Kleinwort Benson's Channel Islands banking, company and trust management, securities and investment portfolio operations.

Since then a similar system has been put in for Lazard Brothers in Jersey and for the Royal Bank of Canada in Guernsey. In September Hambros Bank (Jersey) is to install it.

Mr Hinshaw welcomes the use of the offshore package by other banks, because he believes this could lead to a useful exchange of experience with Datalink acting as the clearing house for new ideas.

Meanwhile a further phase of Databank to handle portfolio valuations is being developed for Lazard Brothers. Datalink also plans to put offshore unit trust funds processing on an in-house system for selected banks within the next 12 months.

Benefit

A major benefit for Channel Islands banks is that they have been able to expand their business without having to apply to bring in specialist staff from outside—or try to tempt them away from other local employers.

In no case have computer-trained staff had to be imported to operate Databank; it is a completely on-line system that has proved to be easily worked by existing staff.

Datalink itself is very much an indigenous enterprise. Most of the team are islanders attracted back from industry or university on the mainland.

Only three of the 27 staff—one of them Mr Hare himself—are under licence from the island's housing authority through lack of residential qualifications.

As a final reminder of the company's roots in Guernsey soil there is 75-year-old Mr Reg Warley, who joined Fruit Export 60 years ago, retired, and is now back working in Datalink's accounts department.

EDWARD OWEN

Golfer Tony Jacklin tees off from the roof of the St Pierre Park Hotel in an unusual "topping-out" ceremony

Money goes into hotels

IN AN unusual "topping-out" ceremony golfer Tony Jacklin last month drove off five balls from the roof of the St. Pierre Park Hotel, which is being built on the site of a former French Catholic college in Guernsey. It was not just an ordinary celebrity appearance, however, because Jacklin is the designer of a nine-hole golf course in the hotel's 40 acres of grounds.

The 134-bedroom St. Pierre Park, a £4½m investment by Jersey's Ann Street Brewery, is claimed to be the largest project undertaken by private enterprise in the Channel Islands. Scheduled to open next March it will give Guernsey a much-needed extra conference hotel with amenities such as an indoor swimming pool, health club and shopping arcade.

Although Channel Islands hoteliers had a difficult time in 1981 (this year is looking rather better, especially in Jersey), the level of investment gives no impression of an industry lacking confidence.

Within the next month a £½m extension will be unveiled at Jersey's elegant Hotel L'Horizon on St Brelade's Bay—one of the very few hotels in the islands that has risked putting up its rates this year.

In the more popular-priced market £½m is being spent on Jersey's Mayfair Hotel by the island's second largest group, Modern Hotels.

Jersey has, however, what is virtually a new hotel right on the St Helier harbour front after the rebuilding of the Pomme D'Or at a cost of nearly £4m. It is one of five hotels owned by the island's largest group, Seymour's, a family concern controlling 1,877 beds.

At one time Jersey's only conference hotel was the 620-bed Hotel de France, conceived in the grand old tradition. It is still the main venue for large gatherings and banquets, but has been joined by several others, among them the Atlantic, Grand, L'Horizon and Mermaid.

Latest arrival is the Pomme D'Or, which in its rebuilt form has facilities for up to 200 delegates and has become the first Channel Islands member of the Guaranteed Venues scheme.

Jersey's meeting-place for conferences of 1,000 to 2,000 is the Fort Regent leisure centre, where the Royal Antediluvian Order of Buffaloes has just been holding its triennial convention.

Accepted

In Guernsey the Duke of Richmond, Old Government House and Royal are the established conference hotels but Ronnie Ronalde's—owned by the entertainer—is competing for this business now that it has been accepted (along with the Atlantic in Jersey) as a member of Best Western Hotels.

While Jersey and Guernsey have done reasonably well out of conferences, earning upwards of £4m a year between them, both believe they could do better.

Jersey's new tourism president, Senator John Rothwell, shares the view of many people in the industry that the island has not done nearly enough to sell its facilities. The Continental market in particular is virtually untapped, he thinks.

The senator is to call a meeting shortly of all interests involved and hopes that out of it will come something which, surprisingly, Jersey lacks at present—an official conference bureau with a full-time officer.

In contrast to Guernsey, where self-catering accommodation provides 22 per cent of the tourist beds, Jersey has hardly any except in private houses. The authorities there have always taken the view that, in an island where land for local housing is desperately short, it would be wrong to build villas or flats for holidaymakers.

This policy has been relaxed slightly to allow two hotels to add self-catering units but the industry would like to be free to convert some of its establishments partly or wholly to this use. Jersey's authorities have now decided, in view of the obvious demand, to introduce a self-catering category under the Tourism Law.

EDWARD OWEN

Select market in tax-haven homes

"COASTAL OR manor type property, million pound bracket, wanted by 1(1)K approved applicant." So ran a recent advertisement in Jersey's local paper. It was an indication that demand for tax-haven homes in the Channel Islands is on the move again following sluggish interest during 1981.

As every Jersey resident knows, 1(1)K is the classification for settlers admitted into the island by virtue of their wealth and/or distinction. Estate agents like Langlois and Hampton & Sons, which specialise in high-priced housing, report that in the last few months several expensive properties have changed hands.

Not that the advertiser's £1m offer was any guarantee of speedy satisfaction. There is only a handful of properties in that class in Jersey's 45 square miles.

Noirmont Manor, 45 acres of mature woodlands and gardens, indoor heated swimming pool, staff and guest cottages, might have suited—but it was sold for £700,000 last year.

Farmhouse

For around £200,000 you can own a restored Jersey farmhouse with four to six bedrooms and central heating for £485,000 a secluded granite country house with 15 acres of agricultural land and three acres of garden, heated swimming pool, tennis courts and out of six bedrooms with own bathroom.

The island's housing authority recently changed the price guideline for wealthy newcomers. Previously they were expected to seek properties from £100,000 upwards. Nowadays the authority indicates from £150,000 to £200,000 as a base because it maintains there is a demand from local people for properties up to around £160,000.

Guernsey's two-tier system is more straightforward. The island has a pool of some 1,800 "open market" properties for newcomers to occupy without restriction. Top open market price is about £600,000 scaling down to around £72,000, for which you might get a terraced house with three bedrooms but possibly without central heating.

Exclusive

According to Guernsey agents Lovell and Partners, sales of open market properties are picking up again. They have nearly 100 on their books but only four at Fort George—an exclusive housing estate for wealthy settlers where prices range from about £130,000 to £400,000.

Speculative office development in Guernsey is being let to the finance sector either before building work begins or during construction. Prime space is between £4.50 and £5.50 a sq ft and from £3.50 for good older lets.

In contrast, it is bargain days for office space in Jersey. This is because local civil servants are beginning to move into Cyril Le Marquand House, an 11-storey building in St Helier constructed to centralise most of Jersey's government departments.

It is the island's largest office block and crystal-ball gazers among estate agents think it is likely to release 26,000 to 30,000 sq ft on to the market elsewhere.

William Bull, a leading agent in the commercial field, is quoting £5.25 a sq ft for the best offices. But it is expected that desirable first floor premises in good positions may become available for as little as £2.50 a sq ft.

WILLA MURRAY

Knitwear trade makes modest comeback

GONE ARE the days when knitting had to be banned in Channel Islands churches because the clicking needles of the congregation drowned the sermon.

Nor do Jersey's menfolk have to be driven from their stitching back to the fields during the spring sowing and harvest time, under threat of incarceration in Mont Orgueil Castle on bread and water.

But the knitwear industry, which from the 16th to 18th centuries supported most of the population in the islands, has been making a modest comeback.

Today, it contributes over £5m a year to the island's export figures.

Guernsey fishermen's sweaters in oiled wool are still hand-finished at Le Tricoteur, the company largely responsible for making them popular in the UK.

Mr Robert MacDougall, who launched Le Tricoteur in 1965 when he was 24, employs 60 staff and 300 outworkers. He started with a single helper and six hand-knitters.

More than three-quarters of the turnover is exported—mainly to the UK, but with growing demand in the U.S.

Mr MacDougall sent a consignment of traditional Guernseys to the Falkland Islands for the first time just before hostilities began, so he has no idea whether it ever arrived at Port Stanley.

Jersey factory of Pierre Sangan International, with 120 employees

The Jersey family business headed by Peter (alias Pierre) Sangan switched in the late 1950s from the women's knitwear it had been producing since 1905 to male leisure fashion.

Pierre Sangan International makes Continental-style sweaters, shirts and blousons for export, chiefly to the UK but also to Saudi Arabia, Japan and even Hong Kong.

The company employs 120, and is better known in Jersey as Sumerland. This was the name of the orphanage run by nuns of the Sacré Coeur, who started a small knitwear venture to provide work for their charges.

They turned for advice to a ladies' tailor, who eventually took a controlling interest in the enterprise. He was Louis Sangan, Peter Sangan's grandfather.

From the knitting nuns of Jersey it is a short leap to Channel Jumper in Alderney, founded by Craig Osborne and his wife, Lee.

What began as a cottage industry run from their bedroom eight years ago has become Alderney's only real light industry, employing 12 in summer and winter.

Exports are now worth about £100,000 a year, and the company turns out 300 Guernsey-type sweaters weekly, including the Alderney and the Guernsey Zipper.

E.O.

Moves to promote more jobs

The highest unemployment figures since the last war have made the protection — and creation — of jobs for local people a major concern in the Channel Islands over the past year.

It has been a particularly hot political issue in Guernsey, where the horticultural industry — traditionally the major employer of unskilled and semi-skilled labour — has been rapidly contracting and shedding workers.

A decision to introduce work permits, not just for all immigrant labour but even for UK businessmen wanting to launch new ventures, was reversed at the last minute in Guernsey's Parliament by only two votes. Opinion swung around after members of the Finance Committee had warned that the proposed law would sabotage efforts to create new job opportunities for local people by the expansion of light industry.

At the end of last year Guernsey set up a Department of Commerce and Industry, backed by a £125,000 Government grant, to mount a campaign to attract new business to the island.

Existing industries are also being encouraged to expand. Inducements include a government subsidy to help them promote and exhibit their products overseas. Unlike UK companies those in Guernsey and Jersey get no aid of this kind from the British Overseas Trade Board.

Jersey is also seeking to widen job prospects for local people through developing light industry, but with less urgency than Guernsey.

More sites are to be made available, and the Island government has allocated £25,000 for a three-year trial period to help local concerns with their overseas trade promotions.

The idea of work permits has never been welcomed in Jersey, not even by TGWU official René Liron. Instead, the Island government launched an advertising campaign early this year to persuade employers to give preference to local labour for the good of the economy. Meetings were held with business organisations, hoteliers and the farmers' union, and full-page advertisements in the local press hammered home the message.

Many Guernsey politicians and labour leaders are still fearful that because work permits have been abandoned infiltration of UK and Irish workers—particularly in the building trade—will jeopardise employment chances next winter for many islanders.

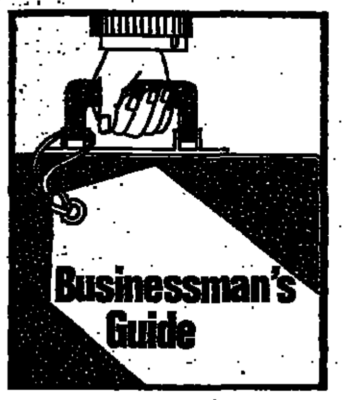
One safeguard won by the protectionist lobby is a disclosure of information law introduced last year, which requires the social insurance department to pass on the names, addresses and employers of incoming job-seekers to the housing and labour departments.

The aim is to enable the authorities to monitor, for the first time, the number of immigrant workers and what happens to them—and, particularly, whether they are in illegal occupation of housing.

Some of those who spoke out against work permits in the island parliament made powerful use of a pending new housing control law. Its provisions will close a number of bolt-holes now available to immigrant workers, such as living en famille in Guernsey households.

Draft legislation was approved in March 1980 and the law was then expected to come into force on January 1, 1981. But it is still in the hands of the Privy Council and even Housing Committee president Roydon Falla does not know when it is likely to reach the statute book.

W.M.



Businessman's Guide

BY AIR

From London (Heathrow): British Airways has four flights daily to Jersey and Air UK four flights daily to Guernsey.

From London (Gatwick): British Caledonian has at least three flights daily (more at weekends) to Jersey and Air UK has two flights daily to Guernsey.

From Amsterdam: NLM City Hopper has five flights weekly to Guernsey, four of them calling at Jersey.

From Paris (Charles de Gaulle): Jersey European Airways has three flights Monday to Saturday and two flights on Sunday to Jersey.

There are also regular flights to the islands from many UK and some French provincial airports.

BY SEA

Sealink runs car ferry services to Guernsey and Jersey from Portsmouth and Weymouth. Emeraude Ferries operates an almost year-round St. Malo-Jersey car ferry service and Condor hydrofoils runs from St. Malo to Jersey, Sark and Guernsey except in mid-winter.

INTER-ISLAND LINKS

Aurigny Air Services has 14 flights daily between Jersey and Guernsey, and also links both islands to Alderney. Sealink and Condor hydrofoils operate between Jersey and Guernsey. Sark is reached by hydrofoil from Jersey and by Isle of Sark Shipping Company ferries from Guernsey.

CAR HIRE AND TAXIS

Avis, Godfrey Davis Europcar and Hertz, together with many other car hire firms, operate in Jersey and Guernsey and there are ample taxi services. Taxis and hire cars are also available in Alderney but in Sark the choice is between bicycle, horse-drawn carriage or walking, except for a tractor-drawn "bus" up the hill from the harbour.

BUSINESS HOURS

Banking hours are 9.30 am-3.30 pm both at UK clearing bank branches and international banks. Office hours are generally 9 am to 5 pm-5.50 pm but many businesses close at lunchtime for one to 1½ hours. Most offices close on Saturdays. Department and multiple stores increasingly stay open at lunchtime but a number of shops still close. Thursday is early closing day but many shops now ignore it.

BANKS

The UK clearing banks all have several branches in Jersey and Guernsey and one or two also operate in Alderney and Sark. British merchant banks and international banks are well represented in both Jersey and Guernsey.

TAXATION

Income tax is 20p in the £ (except in tax-free Sark) both for individuals and companies. CI-registered companies not trading locally pay a flat corporation tax rate of £300 pa. There are no other individual or corporate taxes and VAT is not levied in the islands.

RESTAURANTS

Forty-eight Jersey restaurants received gastronomic awards from British and French judges in this year's Good Food Festival. The Guernsey list is also a small selection from a wide range. Fresh seafood, including lobster, is the islands' speciality.

JERSEY
In St Helier: La Capannina, 67 Halkett Place (34602); Mauro's, La Motte Street (20147); Victoria's, Grand Hotel, Esplanade (72255).
Out of town: Sea Crest, Petit Port, St Brelade (42687).
Informal lunch: La Bastille Taverne, 4 Wharf Street, St Helier (30063).
Guernsey
In St Peter Port: La Frégate, Les Cotils (24624); Le Nautique, Quay Steps (21714); Steak and Stilton, 23 The Quay (23080).
Out of town: Marina Restaurant, Beaucette Marina (47066).
Informal lunch: Ulla's Kitchen, 2 Mill Street, St Peter Port (23730).
Alderney
First and Last, Braye Street (3162); Old Barn, Longis Bay (2537).
Sark
Aval du Creux (2036); Petit Champ (2046).

HOTELS

Jersey
In St Helier: De France, St Saviour's Road (21321)—£17.50; Grand, Esplanade (22301)—£26/£28; Pomme D'Or, Weighbridge (78644)—£19.00; Royal Yacht, Weighbridge (20511)—£19.50.
Out of town: Atlantic, La Moye, St Brelade, adjoining golf course (44101). Open Mar.-Dec.—£33.00; L'Horizon, St Brelade's Bay (43101)—£32.70/£36.85 plus 10 per cent; Mermaid, St Peter, near airport (41255)—£17.50.
Guernsey
In St Peter Port: Duke of Richmond, Cambridge Park (26221)—£24.50; De Havelet, Havelet (22199) — £19.20; Moore's, Le Pollet (24452)—£18.50; Old Government House, Ann's Place (24921)—£27/£29; Royal, Glategny Esplanade (23921) — £28.00.
Out of town: Ronnie Ronalde's, St Martin's (35644)—£21.50; St Margaret's Lodge, Forest Road, St Martin's, quite close to airport (35757)—£20.00.
Alderney
Belle Vue, The Butes (2844)—£14.50 + 10%; Devereux House, Val Fontaine (2549). Closed in winter—£17.00; Sea View, Braye Street (2738)—£14.50.
Sark
Aval du Creux (2036). Closed in winter — £17.00; Dixcart (2015). Closed in winter—£17.20 + 10%; Stock's (2001). Closed in winter—£21.50.

E.O.

Keen competition in wine and spirits

NOT SURPRISINGLY in an archipelago where many family fortunes were founded on smuggling, the Channel Islands have long-established wine trade connections.

In the early 19th century, after British customs posts and revenue cutters had strangled the smuggling business, Guernsey became an important entrepôt centre through which port French wine and brandy were shipped to England.

Relics of that era survive along the St Peter Port harbour front, where many of the shops and offices occupy former cellars.

Today Channel Islands wine merchants conform to EEC regulations and confine their buccaneering to stocking up visiting yachts.

But the islands remain a good place to buy wine. Vintages that have virtually vanished elsewhere are on sale—and at VAT-free prices which, except at the vin ordinaire end, are often lower than in France.

The choice in St Helier and St Peter Port is much wider than in any comparable town on the UK mainland, and the bulk of the wine comes direct from the Continent, mainly through St Malo but also via Rotterdam.

Traditionally the islanders are beer drinkers, but as in Britain, and for much the same reasons, the pattern has been changing lately. Wine imports have more than doubled in the past decade.

More than 20 merchants, brewers and import agents compete fiercely for Jersey's business, among them firms started in recent years by people in the catering trade.

In Guernsey the main suppliers have been reduced to seven following the takeover of two rivals by the Bucktrout group, which traces its origins to a Breton who arrived in the island in 1830.

In what is generally agreed as a price-conscious market, local merchants have to contend with high freight costs and the other disadvantages of handling small quantities.

Contrary to the impression sometimes given by tourist publicity, they also have to pay rates of duty that are higher than in any EEC country except the UK, Eire and Denmark.

On a litre of 70° proof spirit Jersey's duty is £2.23 and Guernsey's £2.60, while on a 75 cl bottle of table wine Jersey levies 28p and Guernsey 30p.

The trade in Guernsey still believes the island made a bad mistake by increasing its duty on spirits by 70p a litre in 1980.

Local merchants say this finally lost them a large part of the tourist business in Scotch to the air and sea carriers. Meanwhile an estimated £460,000 increase in excise revenue failed to materialise.

The airlines and shipping companies have pushed hard to capture the lucrative trade in selling visitors their permitted one litre of take-home spirits (the Channel Islands are treated by the UK and French customs as non-EEC countries).

A litre of proprietary Scotch, which sells for around £5 in Jersey and £5.60 in Guernsey, can be had for £3.95 on the Sealink ferries, £3.80 on the hydrofoils linking the islands with France, and £4 on Air UK's aircraft.

In Guernsey there has been a swing to locally bottled spirits which—because of the island's duty structure and no national advertising overheads—can be sold at £1.55 less per litre than proprietary brands.

Jersey charges duty according to proof strength, but Guernsey levies a flat rate. This enables local suppliers to import in bulk at over 90° proof and effectively save 58p per litre in duty on a 70° proof locally bottled Scotch.

Within the Channel Islands, Sark is the low-duty area. Alderney, after successfully resisting Guernsey's full duty increase in 1980, is now back in line with the larger island.

Customs officers in Jersey and Guernsey make spot checks on boats arriving from Sark. A few years ago, until the small isle narrowed the duty differential, Guernsey was seriously thinking of setting up a customs barrier against its neighbour.

E.O.

MONEY MARKETS

Under the U.S. influence

The most important event for the money markets last week may well turn out to be the vote to pass the U.S. budget by the House of Representatives. Hopes of a gradual reduction in U.S. interest rates were encouraged by the news, but only time will tell whether the projected deficit of $99.3bn is a reasonable target, or is low enough to allow the Federal Reserve to relax its tight monetary policies.

Success in keeping the budget deficit under control, which earlier estimates had suggested could reach $120bn in 1983, is likely to have more impact on U.S., and by implication European interest rates, than any number of critical speeches about the problems of high U.S. interest rates by European leaders.

The Bank of England did not wait for any easing of U.S. rates in sanctioning a cut in UK bank base lending rates last week. Sentiment about the Falklands is obviously very volatile, but as Mr John Nott, the Defence Secretary said a few weeks ago, a setback can bring undue pessimism just as success creates needless euphoria. A month or so ago it seemed likely that the Falklands crisis would have to end before interest rates were cut, but falling inflation and encouraging economic news allowed the authorities to reduce bill dealing rates with the money market last Monday.

Bands two, three and four were cut, and on the following morning National Westminster, Midland and Lloyds cut ½ per cent from their base rates even before the Bank of England announced a reduction in its band one dealing rate shortly after midday.

Short term interest rates in London already tended to discount a fall to 12½ per cent from 13 per cent in base rates, and did not react very strongly to the news. Three-month interbank money eased to 12¾ per cent on Tuesday from 12 15/16 per cent on the previous Friday, but finished the week unchanged at 12 15/16 per cent.

A return to last summer's base rate level of 12 per cent still seems the next logical move, although the market would like some encouraging news from the Falklands first. After that, much will depend on the influence of the U.S. budget deficit on U.S. rates.

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 11	change		June 11	change
LONDON			**NEW YORK**		
Base rates	12½	—½	Prime rates	16-16½	Unch'd
7 day interbank	12¾-13	—½	Federal funds	14⅛-14⅜	+⅛
3 mth interbank	12⅞-13	Unch'd	3 mth Treasury Bills	11.90	+0.18
Treasury Bill Tender	12.1777%	—0.0348	6 Mth. Treasury Bills	12.14	+0.05
Band 1 Bills	12⅝	—½	3 Mth. C D	13.75	—0.15
Band 2 Bills	12½	—½	**FRANKFURT**		
Band 3 Bills	12⅝*	—⅜	Lombard	9.0	Unch'd
3 Mth. Treasury Bills	12 7/32-12¼	—[illegible]	One Mth. Interbank	9.10	+0.025
1 Mth. Bank Bills	12 15/32	—[illegible]	Three month	9.15	+0.025
3 Mth. Bank Bills	12¼-12 9/32	—[illegible]	**PARIS**		
TOKYO			Intervention Rate	16	Unch'd
One month Bills	7.21875	—0.0625	1 Mth. Interbank	16 3/16	Unch'd
Three month Bills	7.21875	Unch'd	Three month	16 5/16	+1/16
BRUSSELS			**MILAN**		
One month	14⅞	Unch'd	One month	20 5/16	Unch'd
Three month	14⅞	Unch'd	Three month	20 7/16	
AMSTERDAM			**DUBLIN**		Unch'd
One month	8 7/16	+⅛	One month	19⅞	+⅛
Three month	8 7/16	+⅛	Three month	19⅞	+¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. *Band 4 12 11/16.

BANK OF ENGLAND TREASURY BILL TENDER

	June 11	June 4		June 11	June 4
Bills on offer	£100m	£100m	Top accepted rate of discount	12.2135%	12.2335%
Total of applications	£494.25m	£499.855m	Average rate of discount	12.1777%	12.2195%
Total allocated	£100m	£100m	Average yield	12.56%	12.60%
Minimum accepted bid	£96.955	£96.95	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	1%	62%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 14 15/16	offer 14 15/16

6 months U.S. dollars	
bid 14 15/16	offer 15 1/16

The fixing rates (June 11) are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 11 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-13	12⅝-12⅞	—	—	—	12-12¾	—	—	—
2 days notice	—	—	12⅝-12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¾-13	12¾	—	—	12⅞-13⅛	12½	—	—	—
One month	12⅞-12¾	12 13/16-12 15/16	12⅞	13⅛-13¼	12¾	13¼	12½	12 15/32	12 15/32	13¼
Two months	12⅞-12¾	12 15/16-12 13/16	—	13⅜-13⅛	12⅞	13¼	12⅜	12⅜-12 11/32	12⅜-12 11/32	13 3/16
Three months	12⅞-12¾	12⅞-13	12⅞	13¼-13	13	13¼	12⅛	12 7/32-12¼	12¼-12 7/32	13
Six months	12¾-12⅝	12 13/16-12 15/16	12⅞	12⅛-11⅞	13	—	—	—	11 31/32-12	12⅝
Nine months	12¾-12⅝	12 15/16-13	—	13-12¾	13	—	—	—	—	—
One year	12¾-12⅝	12⅞-13 1/16	12⅞	12⅞-12⅝	13	—	—	—	—	—
Two years	—	—	13¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13⅛ per cent; four years 13⅜ per cent; five years 13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 3/32-12¼ per cent four months trade bills 12 23/32 per cent.

Approximate selling rate for one month Treasury bills 12 15/32 per cent; two months 12⅜-12 11/32 per cent; three months 12⅛-12 5/32 per cent. Approximate selling rate for one month bank bills 12 15/32 per cent two months 12 5/16-12 11/32 per cent and three months 12 3/16-12 7/32 per cent; one month trade bills 13 per cent; two months 12 27/32 per cent; three months 12⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 3½ per cent. Treasury Bills: Average tender rates of discount 12.1777 per cent.

Certificates of Tax Deposit (Series 5) 13 per cent from June 8. Deposits withdrawn for cash 10½ per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	12⅝-12¾	14-14¼	15⅛-16⅛	8¾-8⅞	2-2⅛	7¾-8¼	75-125	20-22	13¾-15¼	14¼-14¾	6⅞-7⅛	18¾-20¼
7 day's notice	12⅝-12⅞	14-14¼	15½-16½	8¾-8⅞	2⅜-2⅝	8¾-8⅞	50-65	21½-23½	14-16⅛	14½-14¾	6 15/16-7 1/16	18⅝-20⅛
Month	12 11/16-12⅞	14¼-14⅛	14¾-15	8¾-8⅞	4 5/16-4 13/16	8 13/16-9 1/16	36-38	23⅛-24⅛	15¾-16¾	14⅞-15 1/16	7 1/16-7 3/16	17⅝-19⅛
Three months	12⅞-13	14 11/16-14 15/16	14¾-15	8¾-8⅞	5 5/16-5 5/16	8 13/16-9 1/16	28-30	23⅝-24½	16-17	14⅞-15 1/16	7⅛-7¼	19⅛-20⅝
Six months	12 13/16-12 15/16	14 15/16-15 3/16	16⅞-17¼	8¾-8⅞	5⅛-5⅝	8 11/16-9 1/16	23⅛-25⅛	23¾-24⅜	16-17	14⅞-15	7 1/16-7¼	18¾-20¼
One Year	13⅛-13¼	14⅞-15⅛	16⅞-17¼	9-9⅛	5 1/16-5 5/16	8 13/16-9 1/16	21-23	23¾-24½	16-16⅛	14⅞-15	7⅛-7¼	18⅝-19⅞

SDR linked deposits: one month 14 5/16-14 13/16 per cent; three months 14-14⅜ per cent; six months 13½-13⅞ per cent; one year 13 3/16-13 11/16 per cent.

ECU linked deposits: one month 16½-16⅞ per cent; three months 15 3/16-15 9/16 per cent; six months 14⅜-14¾ per cent; one year 13⅞-14¼ per cent.

Asian $ (closing rates in Singapore): one month 14⅛-14½ per cent; three months 14 13/16-14 15/16 per cent; six months 14 15/16-15 1/16 per cent; one year 15-15⅛ per cent. Long-term Eurodollar two years 15⅛-15⅜ per cent; three years 15¼-15½ per cent; four years 15¼-15½ per cent; five years 15⅜-15⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one-month 14.10-14.20 per cent; three months 14.30-14.40 per cent; six months 14.55-14.65 per cent; one year 14.55-14.65 per cent.

CURRENCIES AND GOLD

Dollar firmer

The dollar improved against major currencies last week as a result of the conflict in the Middle East which threatened to involve Israel and Syria in a major war. News of a ceasefire on Friday pushed back the U.S. unit as fears about Europe's oil supplies receded.

The dollar's trade-weighted index, on Bank of England figures, rose to 116.7 from 115.2. It touched a peak of DM 2.42 against the D-mark on Thursday, and finished at DM 2.3950 on Friday, against DM 2.3560 at the end of the previous week. The dollar rose to SwFr 2.0475 from SwFr 2.0225 against the Swiss franc; to FFr 6.3350 from FFr 6.1525 in terms of the French franc; and to Y247.50 from Y243.75 against the Japanese yen.

Hopes of lower U.S. interest rates following the vote on the budget by the House of Representatives also tended to depress the dollar towards the end of the week.

Sterling could be expected to benefit from the hostilities in the Middle East, backed by Britain's reserves of North Sea oil, but the market seemed more concerned by the lack of news from the Falklands and fears of serious casualties following the attack on British landing ships.

The pound's index fell to 90.4 from 90.6. It rose to DM 4.2525 from DM 4.2350 against the D-mark however, to FFr 11.2350 from FFr 11.0450, and to Y439.50 from Y437.50, but was unchanged at SwFr 3.6350.

Euro French franc interest rates rose sharply to protect the franc, and the Bank of France and German Bundesbank were forced to intervene in support of the French currency as speculation grew ahead of the realignment of the members of the European Monetary System. Fears of a devaluation of the French franc also pulled down the Belgian franc, and both currencies required heavy support on Friday. The Bundesbank bought French and Belgian francs at the Frankfurt fixing, and gave strong support on the open market. At about the same time the Bank of France and Belgian National Bank were forced to sell D-mark's and Dutch guilders to prevent both currencies rising above their intervention limits.

Gold rose $7¼ to $326¼ in quiet trading, failing to attract much buying interest from the Middle East war.

THE DOLLAR SPOT AND FORWARD

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7640-1.7790	1.7745-1.7755	0.22-0.32c dis	—1.82	0.80-0.90dis	—1.91
Ireland†	1.4480-1.4550	1.4500-1.4550	0.65-0.60c pm	5.17	1.72-1.57 pm	4.53
Canada	1.2565-1.2620	1.2615-1.2620	0.27-0.30c dis	—2.71	0.66-0.70dis	—2.15
Nethlnd.	2.6370-2.6465	2.6435-2.6465	1.30-1.20c pm	5.68	4.00-3.90 pm	5.98
Belgium	45.10-45.20	45.18-45.20	4-7c dis	—1.46	16-19 dis	—1.55
Denmark	8.1400-8.1670	8.1525-8.1575	1.80-2.05ore dis	—2.83	4.10-5.10dis	—2.26
W. Ger.	2.3825-2.3975	2.3945-2.3955	1.10-1.05pf pm	5.39	3.49-3.44 pm	5.79
Portugal	72.50-73.50	72.95-73.20	50-200c dis	—20.53	150-525dis	—18.47
Spain	106.20-107.00	106.85-106.95	33-40c dis	—4.09	105-118 dis	—4.17
Italy	1,323-1,327½	1,326½-1,327½	9½-10½ lire dis	—9.05	28½-30½dis	—8.91
Norway	6.1020-6.1140	6.1070-6.1120	0.50-0.10ore pm	0.59	0.50-0.10 pm	0.20
France	6.2500-6.3600	6.3200-6.3500	11¾-12¾c dis	—23.42	22-23½ dis	—14.47
Sweden	5.9130-5.9340	5.9140-5.9190	0.50-0.30ore pm	0.81	2.05-1.85 pm	1.32
Japan	246.00-247.80	247.45-247.55	1.55-1.47y pm	7.32	4.75-4.65 pm	7.59
Austria	16.78-16.88	16.82½-16.83½	9¼-8gro pm	6.10	27½-24½ pm	6.18
Switz.	2.0380-2.0490	2.0470-2.0480	1.67-1.58c pm	9.55	4.80-4.72 pm	9.30

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7640-1.7790	1.7745-1.7755	0.22-0.32c dis	—1.82	0.80-0.90dis	—1.91
Canada	2.2200-2.2400	2.2380-2.2390	0.78-0.88c dis	—4.45	2.20-2.30dis	—4.02
Nethlnd.	4.65-4.71	4.69½-4.70½	1¾-1¼c pm	3.83	5-4½ pm	4.04
Belgium	79.79-80.50	80.15-80.30	17-27c dis	—3.29	65-75 dis	—3.49
Denmark	14.41-14.56	14.52½-14.53½	5⅞-6⅞ore dis	—5.06	15½-16½dis	—4.35
Ireland	1.2180-1.2270	1.2210-1.2230	0.66-0.74p dis	—6.87	1.90-2.07dis	—6.50
W. Ger.	4.21-4.28	4.24¾-4.25¾	1½-1pf pm	3.53	4⅛-3⅞ pm	3.88
Portugal	128.50-130.25	129.50-130.00	105-380c dis	—22.43	325-1005dis	—20.50
Spain	188.70-190.20	189.85-190.05	72-92c dis	—5.18	244-276 dis	—5.47
Italy	2,339-2,356	2,353½-2,355½	19½-22½lire dis	—10.70	61-65 dis	—10.70
Norway	10.78-10.86	10.84-10.85	¾-1⅞ore dis	—1.45	4⅛-5½ dis	—1.82
France	11.04-11.28	11.22-11.25	21½-24½c dis	—24.57	43½-47½dis	—16.20
Sweden	10.48-10.53	10.49½-10.50½	½-1½ore dis	—0.83	1¼-1⅞ dis	—0.59
Japan	435-442	439-440	2.15-1.85y pm	5.46	6.35-6.05 pm	5.64
Austria	29.75-30.00	29.88-29.93	12½-9¼gro pm	4.38	34½-28 pm	4.18
Switz.	3.60-3.65	3.63-3.64	2½-2c pm	7.43	7-6½ pm	7.43

Belgian rate is for convertible francs. Financial franc 87.80-87.90. Six-month forward dollar 1.80-1.90c dis, 12-month 3.25-3.45c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7750	1.7777	1.7835	1.7938	1.8083
D-Mark	4.2525	4.2400	4.2113	4.1761	4.1016
French Franc	11.2350	11.4550	11.6900	11.8640	12.1128
Swiss Franc	3.6350	3.6125	3.5675	3.5136	3.4017
Japanese Yen	439.5	437.5	433.3	427.7	416.6

GOLD MARKETS

	June 11		June 10	
Gold Bullion (fine ounce)				
Close	$326-327	(£183¾-184¼)	$326½-327¼	(£185-185½)
Opening	$330-331	(£187-187½)	$328½-329¼	(£185-185½)
Morning fixing	$327	(£184.329)	$329	(£185.509)
Afternoon fixing	$325.25	(£183.374)	$326.75	(£185.232)

Gold Coins June 11					
Krugrnd	$334½-335¼	(£188½-189)	King Sov	$88½-90½	(£50-51)
1/2 Krug	$172¼-173¼	(£97-97¾)	Victoria Sov	$88½-90½	(£50-51)
1/4 Krug	$87¾-88¾	(£49½-50)	French 20s	$71½-73¾	(£40¼-41½)
1/10 Krug	$35¾-36¾	(£20¼-20¾)	50 pesos Mex.	$399-401½	(£224¾-226¼)
Mapleleaf	$334½-335½	(188½-189)	100 Cor. Aust	$318-320¼	(£179¼-180¼)
New Sov	$77¾-78¼	(£43¾-44)	$20 Eagles	$405-410	(£228¼-231)

OTHER CURRENCIES

June 11	£	$		£ Note Rates
Argentine Peso	26.611-26.651†	15.000-15.050†	Austria	29.55-29.95
Australia Dollar	1.7045-1.7065	0.9610-0.9615	Belgium	86.90-87.90
Brazil Cruzeiro	294.84-295.84	166.21-167.04	Denmark	14.36-14.50
Finland Markka	8.180-8.202	4.6190-4.6210	France	11.03-11.13
Greek Drachma	116.187-116.789	65.20-65.50	Germany	4.22-4.26
Hong Kong Dollar	10.33½-10.35	5.8240-5.8290	Italy	2305-2350
Iran Rial	146.90*	82.75*	Japan	436-441
Kuwait Dinar (KD)	0.50825-0.50925	0.28686-0.28706	Netherlands	4.66-4.71
Luxembourg Fr.	80.15-80.30	45.18-45.20	Norway	10.75-10.85
Malaysia Dollar	4.1050-4.1150	2.3140-2.3170	Portugal	126½-137
New Zealand Dlr.	2.3455-2.3495	1.3225-1.3240	Spain	182-191
Saudi Arab. Riyal	6.0725-6.0835	3.4270-3.4290	Sweden	10.47-10.57
Singapore Dollar	3.7550-3.7650	2.1160-2.1190	Switzerland	3.61-3.65
Sth. African Rand	1.9540-1.9560	1.1010-1.1020	United States	1.77½-1.79½
U.A.E. Dirham	6.5055-6.5175	3.6715-3.6735	Yugoslavia	83-101

†Now one rate. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.1591	+1.04	+1.07	±1.5440
Danish Krone	8.18382	8.15215	—0.39	—0.36	±1.6428
German D-Mark	2.41815	2.38893	—1.21	—1.18	±1.1097
French Franc	6.19564	6.25989	+1.04	+1.07	±1.3743
Dutch Guilder	2.67296	2.64127	—1.19	—1.16	±1.5069
Irish Punt	0.686799	0.688965	+0.32	+0.35	±1.6689
Italian Lira	1305.13	1323.63	+1.42	+1.42	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

June 10	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.4	—32.8
U.S. dollar	116.7	+9.5
Canadian dollar	86.0	—20.2
Austrian schilling	117.5	+26.2
Belgian franc	95.3	—1.4
Danish kronar	83.7	—13.3
Deutsche mark	124.3	+48.0
Swiss franc	144.7	+94.1
Guilder	115.4	+22.4
French franc	78.8	—16.0
Lira	54.1	—58.2
Yen	135.9	+28.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 11	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.627846	0.562694
U.S. $	12	1.11474	0.999344
Canadian *	16.20	18.7733	1.25787
Austria Sch.	6¾	18.7733	16.8289
Belgian F.	14	50.2871	45.1591
Danish Kr.	11	9.09405	8.15215
D mark	7½	2.66200	2.38893
Guilder	8	2.94403	2.64127
French Fr.	9½	6.97939	6.25989
Lira	19	1476.47	1323.63
Yen	5½	275.341	246.738
Norwgn. Kr.	9	6.80772	6.10799
Spanish Pts.	8	119.165	106.830
Swedish Kr.	10	6.62211	5.91711
Swiss Fr.	5½	2.27574	2.04166
Greek Dr'ch.	20½	N/A	65.7236

*C$/SDR rate for June 10: 1.39970

EXCHANGE CROSS RATES

June 11	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Fran
Pound Sterling	1	1.775	4.253	439.5	11.235	3.635	4.700	2355.	2.239	80.23
U.S. Dollar	0.563	1.	2.396	247.6	6.330	2.048	2.648	1326.	1.261	45.20
Deutschemark	0.235	0.417	1.	103.4	2.642	0.855	1.105	553.7	0.526	18.87
Japanese Yen 1,000	2.275	4.039	9.676	1000.	25.56	8.271	10.69	5357.	5.093	182.5
French Frank 10	0.890	1.580	3.785	391.2	10.	3.235	4.183	2096.	1.992	71.41
Swiss Franc	0.275	0.488	1.170	120.9	3.091	1.	1.293	647.7	0.616	22.07
Dutch Guilder	0.213	0.378	0.905	93.51	2.390	0.773	1.	501.0	0.476	17.07
Italian Lira 1,000	0.425	0.754	1.806	186.7	4.772	1.544	1.996	1000.	0.951	34.07
Canadian Dollar	0.447	0.793	1.900	196.3	4.019	1.624	2.100	1052.	1.	35.84
Belgian Franc 100	1.246	2.213	5.301	547.8	14.00	4.531	5.859	2935.	2.790	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	227.5	239.5		—
Equity Fund	92.8	75.6	-0.3	—
Property Acc.	264.5	280.8		—
Equity Acc.	57.5	62.2	-0.5	—
Selective Fund	150.3	158.3	-0.5	—
Money Fund	166.5	175.3		—
Convertible Fund	178.6	188.0		—
Prop. Fd. Ser. 4	210.1	221.2		—
Equity Ser. 4	56.4	59.4	-0.3	—
Man. Ser. 4	200.1	211.7	-0.7	—
Money Ser. 4	151.8	159.8		—
Conv. Ser. 4	151.1	159.1		—
Fixed Int. Fd. Ser. 4	117.8	124.0	-0.4	—
American Ser. 4	107.9	113.6	+0.8	—
High Inc. Ser. 4	117.9	124.2		—
Indexed Inc. Series 4	96.9	102.1		—
Pension Property	307.6	324.4		—
Pension Equity	290.9	306.3	-1.6	—
Pension Selective	151.5	159.5	-0.5	—
Pension Managed	297.5	313.2	-1.0	—
Pension Security	221.7	233.4		—
Pension Fixed Int.	114.3	120.6	-0.4	—
Pension Indexed Inv.	97.0	102.2		—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	325.3	342.4	-1.9	—
Fixed Int. Acc.	196.1	206.4	-0.5	—
Gtd. Money Fd. Ac.	156.0	164.2		—
Intl. Man. Fd. Acc.	140.4	147.7	-1.5	—
Intl. Fxd. Int. Fd.	107.5	112.8	+0.4	—
Prop. Fd. Acc.	159.0	167.3		—
M'ple Inv. Acc.	250.6	263.7	-1.5	—
Equity Pen.Fd.Acc.	448.5	472.1	-2.8	—
Fixed I.Pen.Acc.	315.3	331.9	-1.2	—
G'td.Mon.Pen.Acc.	215.9	227.2	+0.1	—
Intl.Mn.PnFdAcc.	161.7	170.2	-1.7	—
Prop.Pen.Acc.	209.6	220.6		—
M'ple Inv.Pen.Acc.	363.7	382.8	-2.4	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	197.7	208.3		—
Money Fd.	143.5	151.0		—
Equity Fd.	151.5	159.4		—
Fixed Int. Fd.	95.2	100.2		—
Property Fd.	153.3	161.5		—
Managed Pen. Fd.	177.7	187.3		—
Equity Pension Fd.	99.6	105.0		—

Crown Life—Continued

St. George Mangd. Fd.	109.7	115.4		—
Lives & Gen.Fd.	121.0	127.3		—
Sage Fd.	88.7	93.3		—
Heritage Fd.	98.2	105.2		—
DBS Managed	105.1	110.6		—
Crown. Brit. Inv. A	217.2			—
Pens. Mixed. Fd.	147.8	155.2		—
Pens. Mang'd. Acc.	111.8	117.6		—
Pens. Mang'd. Init.	108.0	113.7		—
Pens. Equity Acc.	104.7	110.2		—
Pens. Equity Init.	100.8	106.1		—
Pens. Fxd. Int. Acc.	108.8	113.4		—
Pens. Fxd. Int. Init.	104.3	109.7		—
Pens. Money Acc.	108.3	114.0		—
Pens. Money Init.	104.4	109.9		—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N 4DJ 488 2323

Growth Prop. June 8	100.7	110.7		—
Managed Pens May 12	116.81	122.96		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	79.2	82.1	+0.1	6.04

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	190.3	200.3	+0.5	—
Higher Inc. Fund	122.3	128.7	+0.4	—
Property Fund	191.5	201.5		—
Fixed Interest Fund	142.7	150.2	+1.0	—
Index Linked Secs Fnd.	93.7	98.6		—
Gtd. Deposit Fund	135.1	142.2		—
Nth. America Fund	101.5	106.8	+0.7	—
Far East Fund	84.7	89.1	+1.2	—
International Fund	97.0	102.1	+0.7	—
Mixed Fund	167.4	176.2	+0.8	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	194.2	204.4	+4.0	—
Ind. Pen. Property	144.1	151.6	+1.2	—
Ind. Pen. Fixed Int.	138.4	145.6	+2.8	—
Ind. Pen. Indx Lk. Sec.	102.9	108.3	+1.6	—
Ind. Pen. Overseas	145.0	152.6	-0.3	—
Ind. Pen. Cash	135.5	142.6	+1.4	—
Ind. Pen. Balanced	153.9	161.9	+1.0	—
Ind. Pen. Dep. Admin.	135.5	142.6	+1.2	—

Prices at June 10. Next settlement July 15.
Group Pension Funds—Prices Available On Request.

Family Assurance Society

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	39.5	42.2		6.60
Chinese Fund	74.2	77.3		9.30
Precious Metal Fund	176.5	183.2		8.30
Vanguard Cmdy. Fd.	43.2	44.3		2.30
Financial Futures Fd.	100.6	104.8		—
Wren Intl. Fnd.*	$0.896	0.993		-0.040

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ⊕ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

1Ja	1J	Agric. Mt. 5pc '59-89	63½	1.12	7.99	13.12
1M	15	Met. Wtr. 3pc 'B'	29¾	1.2	10.37	12.89
30J	31D	U.S.M.C. 9pc 1982	106xd	31.12	8.49	—
30J	31D	Do. without Warnts.	98½xd	31.12	9.13	—

LOANS—Continued

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Building Societies

FOREIGN BONDS & RAILS

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CANADIANS

BANKS AND HIRE PURCHASE

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

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LEISURE

LEISURE—Continued

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PROPERTY—Continued

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Eastern Rand

Far West Rand

O.F.S.

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Diamond and Platinum

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Central African

Australian

Tins

Copper

Miscellaneous

NOTES

yield based on prospectus or other official estimates for 1983. Ⅲ Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	40	.....
Bertrams	17#	.....
Bdg'wtr. Est. 50p	410	.....
Craig & Rose £1	£12½	.....
Finlay Pkg. 5p	28	.....
Graig Ship. £1	£35	.....
Higsons Brew	92	.....
Holt (Jas) 25p	850	+40
I.O.M. Stm. £1	115	.....
Pearce (C. H.)	£18¾	.....
Peel Hldgs.	147	+2
Sheff. Refrshmt.	79	+1
Sindall (Wm.)	215	.....

IRISH

Conv. 9% '80/82	£97½	-¼
Nat. 9¾% 84/89	£71¼	-¼
Fin. 13% 97/02	£74	-½
Alliance Gas	80	.....
Arnott	200	.....
Carroll (P.J.)	74xd	.....
Concrete Prods.	75	.....
Helton (Hldgs.)	20	.....
Irish Ropes	34½	-1½
Jacob	69	+1
T.M.G.	8	.....
Unidare	44	.....

OPTIONS

3-month Call Rates

Industrials

Allied-Lyons	8
BOC Intl.	15
B.S.R.	8½
Babcock	19
Barclays Bank	42
Beecham	21
Blue Circle	48
Boots	19
Bowaters	24
Brit. Aerospace	17
B.A.T.	33
Brown (J.)	7
Burton Ord.	15
Cadburys	9
Courtaulds	8
Debenhams	7
Distillers	15
Dunlop	6½
Eagle Star	31
F.N.F.C.	4
Gen. Accident	28
Gen. Electric	65
Glaxo	42
Grand Met.	17
G.U.S. 'A'	45
Guardian	25
G.K.N.	15
Hawker Sidd.	39
House of Fraser	15
I.C.I.	24
"Imps"	8
I.C.L.	5½
Ladbroke	15
Legal & Gen.	19
Lex Service	18
Lloyds Bank	42
"Lots"	6½
London Brick	7
Lucas Inds.	29
"Mams"	12
Mrks. & Spncr.	12
Midland Bank	[illegible]
N.E.I.	9
Nat. West. Bank	29
P & O Dfd.	14
Plessey	32
Racal Elect.	35
R.H.M.	6½
Rank Org. Ord.	22
Reed Intnl.	26
Sears	6
T.I.	23
Tesco	5½
Thorn EMI	42
Trust Houses	11
Turner & Newall	11
Unilever	55
Utd. Drapery	7
Vickers	16
Woolworths	5

Property

Brit. Land	7½
Cap. Counties	10
Land Secs.	28
MEPC	29
Peachey	14
Samuel Props.	11
Town & City	3½

Oils

Brit. Petroleum	26
Burmah Oil	10
Charterhall	6
KCA	14
Premier	6
Shell	30
Tricentrol	22
Ultramar	38

Mines

Charter Cons.	25
Cons. Gold	45
Lonrho	7
Rio T. Zinc	42

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security.

FINANCIAL TIMES

Monday June 14 1982

Whitehall row likely on Falklands cost

BY PETER RIDDELL, POLITICAL EDITOR

TREASURY ministers will argue that a sizeable part of the overall current and capital cost of the Falklands operation will have to be offset by savings in other public spending programmes, including other parts of the Ministry of Defence's budget.

This call is likley to lead to a big Whitehall row because Mr John Nott, Defence Secretary, has already indicated that the full cost of the crisis, including the repalcement of lost ships and aircraft and the expense of any future garrison, should be additional to existing defence budget plans.

The outcome will have a crucial bearing on the size of any income tax cuts in the Budget of spring 1983, which may be the last before the next general election.

Mr Leon Brittan, Chief Secretary to the Treasury, has already warned publicly that only further firm action to control public spending would allow significant reductions in the level of taxation.

The Treasury draws a key distinction between the Government's decision to put no cash ceiling on the military operations to retake the islands and the precise ways to meet the bill, on which there is no agreement. Options are being drawn up by officials.

No official estimates of cost are seeping out of Whitehall, though a figure of about £500m to date is widely quoted for additional current spending (ignoring replacement of equipment, but covering the bill for extra fuel and supplies, requisition of ships, ammunition etc).

At present the Treasury view is that the likely additional spending in the current 1982-83 financial year does not look very worrying and so there are hopes of avoiding any special tax. There is room for manoeuvre in a contingency reserve of £2.4bn, though officials point to other large potential claims, notably from nationalised industries and from public sector pay rises which might be higher than expected. There may consequently be Treasury pressure to offset savings in existing Whitehall budgets, including that of defence.

The main Treasury worries concern the plans for 1983-84, now starting to be considered. The cost of a long-term garrison on the Falklands could be very large and the initial costs of replacing lost equipment, already estimated in the City at roughly £500m, would be incurred next year.

The Treasury case is that any slim margin for tax cuts next spring would disappear if these costs were to come on top of existing expenditure plans. Mr Nott maintains that existing defence commitments should not be affected.

He and his officials are said in Whitehall to be in no mood to agree to the Treasury's demands, and claim the Prime Minister's backing for any necessary expenditure. The Ministry of Defence clearly wants to take advantage of this opportunity, after bruising disputes with the Treasury.

It is clear that the Treasury will press for economies in non-defence programmes. Mr Brittan said on Saturday that, if Tories were "serious about significant tax cuts, we have to be serious about spending limitations too. The momentum of public spending programmes is frighteningly great. The commitments, demands and expectations, with which we in the Treasury have to wrestle, cannot be allowed to continue in the longer term."

In a BBC radio interview yesterday, Mr William Whitelaw, the Home Secretary, stressed that the Government would still like other countries to help with the future security of the Falklands, but the UK would have to bear the main burden. He also said criticism of the Foreign Office had been "very unfair."

Mr Denis Healey, the Shadow Foreign Secretary, rejected a "Fortress Falklands" policy but urged instead some form of UN trusteeship in which Argentina would not participate but some other Latin American countries, including Brazil and Colombia, would. Interviewed on the Weekend World television programme, he said Britain needed to maintain international support.

High ground

Continued from Page 1

by a Vulcan bomber on Port Stanley.

Mr Nott, after giving Tuesday's casualties in the Fitzroy area, said that he had not released the figures of the casualties there before because commanders on the spot wanted the Argentine troops to "remain uncertain about our strength on the ground and our capability to mount an early attack."

The first news of the advance on Port Stanley came on Saturday when in a two-paragraph statement Mr Nott spoke of a "brilliant surprise attack on Argentine positions west of Port Stanley" which took place on Friday night.

By first light on Saturday "advances of up to five miles had been made and all objectives taken.

Tre Defence Ministry refused all further comment on the operation for the 24 hours until Mr Nott's second statement last night.

A communiqué from Argentina's High Command confirmed the attacks, while other reports from Buenos Aires spoke of involvement of 4,500 British and 2,000 Argentine troops in the engagements.

There has been no comment from London on suggestions that a second British warship was damaged or lost, or that two Harrier jets were shot down.

THE LEX COLUMN

Why zero hour may be deferred

Yields on long-dated UK government stocks have fallen by roughly two points since the beginning of the year, but the domestic bond market remains the preserve of the Treasury and the clearing banks.

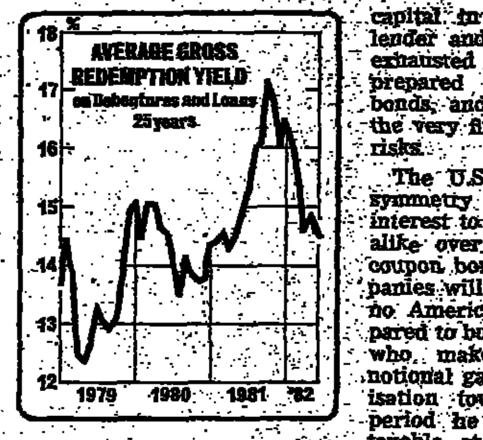
Only last week, Midland joined Barclays in raising £100m of 25-year money; but the banks' return on capital makes light of a coupon in the mid-teens. The industrial finance director, meanwhile, is sulking in his tent.

He seems to have pulled the flap back for a day or so in the spring when it was widely suggested that encouragement might be given to the issue of low- or zero-coupon bonds. These instruments have attractions for both borrower and lender quite apart from their potential for imaginative tax treatment. In a zero-coupon bond, the absence of servicing costs in the early years matches the initial lack of cash flow from an investment project. The lender has no worries about the rate of return on reinvested interest: his gross redemption yield is fixed at purchase.

From the point of view of the monetary authorities, the attraction of re-opening the corporate bond market is that the refinancing of bank borrowings would have a favourable impact both on the money supply statistics and on the structure of balance sheets. At present the money supply angle is handled by the Bank of England's overfunding—it issues stock in excess of public borrowing needs in order to demonetise the deposits created by bank advances. Companies want floating rate money which the capital markets are unwilling to supply, while the Government's issue of fixed-rate debt satisfies the needs of institutional investors.

To alter the structure of the capital markets cannot be easy. Government debt is highly marketable, free from credit risk (a subject that the UK bond market has more or less forgotten about) while it offers considerable tax advantages to the investor. The question is whether it is worth giving countervailing advantages to corporate debt. There are three costs of such action—exchequer revenue forgone, possible long-term distortions to the capital markets arising from subsidy and affront to long-standing principles of taxation. It is on the last of these that the idea of "cheap" low-coupon money seems to be foundering.

The idea of allowing companies to write off the annual increments in their liability—as the bond plods up to par—



against corporation tax bills, while treating the investor's profit as a capital gain rather than income, is anathema to the Inland Revenue's principle of fiscal symmetry. The Revenue's resistance to such schemes is perfectly understandable. It seems to have ruled—as was discussed in the Lombard column a week ago—that the return on new bonds issued at a coupon well below the going commercial rate of interest would be treated as interest in the hands of the investtor, just as if it were a very long-dated bill. Tax would presumably be levied on the sale of a bond rather than at redemption, else there would be a mighty washing of maturing stock into gross funds.

Here the Revenue's elaborate lingerie is in something of a twist. For investors can buy tired old low coupon debentures, issued when Bank Rate was 9½ per cent, and have capital gains treated as capital gains. Or they can participate in the Bank of England's regular deep-discount issues of 3 per cent stock, designed to induce the rich to lend their money to the Government instead of squandering it on the Turf. But new private sector bonds are different: the Revenue is blowing a whistle and crying "Artificial!"—which enables it to clean up at the top marginal income tax rate.

Yet conceptually nothing nothing could be more artificial a conventional "long-dated" high-coupon bond, upon which large capital repayments, in real terms, begin after six months. The Revenue has always taxed such "interest" because it was presented as such. Now attempts to present it as capital which hit mostly is—are to be deemed unnatural; while the surrealistic artefacts dreamed up by the life insurance industry get through largely unscathed. But if the Revenue were to treat the uplift as capital in the books of both lender and borrower; only tax exhausted companies would be prepared to issue low-coupon bonds, and they might not be the very finest long-term credit risks.

The U.S. way of preserving symmetry has been to impute interest to borrower and lender alike over the life of a zero coupon bond; as a result, companies will issue the stocks, but no American taxpayers is prepared to buy them. An investor who makes more than the notional gain implied by amortisation towards par over the period he holds his stock is taxable at capital gains rates on the excess, and at income tax rates on the imputed interest element. Quite apart from being horrendously complicated, such a solution in the UK would require legislation to allow the Revenue to collect tax annually on unrealised gains.

With index-linked stocks the discount to par problem does not arise, and the drafter of a prospectus can legitimately design the indexation element as capital or rolled up interest. In order to gain corporation tax relief a company would have to choose the rolled-up interest route, so that its stock would only be interesting to gross funds. Once again, the issue would be at a disadvantage compared with the Government's more generally acceptable paper.

By this stage, it becomes possible to see why the problem has been more or less shelved, especially as the volume of corporate bank lending is not worrying enough to make the authorities prepared to bend the rules. However, there is an urgent need for a clear statement from the Revenue, if only to knock the whole thing finally on the head.

Perhaps the conclusion ought to be that for all their protestations, companies in fact continue to be perfectly happy to borrow from the banks. They will not issue index-linked paper (always assuming they would have more success than the Government in selling it) in case they cannot keep future sales moving with inflation. They will only issue fixed rate debt a point or so below the present market yield—whatever that yield happens to be. They do not really want to create new classes of debenture-holder. The institutions, for their part, seem to have no burning desire to replace Government paper in their portfolios with corporate debt. When the corporate bond market has a role to play, it will perhaps open without special assistance.

Coal Board makes new move to dig Belvoir pit

By Sue Cameron

THE NATIONAL Coal Board has made a new application to dig a mine at Asfordby near Melton Mowbray, one of the three pits included in the controversial Vale of Belvoir scheme, turned down by the Government earlier this year.

The application has been submitted to Leicestershire County Council. The NCB clearly has high hopes that it will go through without difficulty. Optimists at the NCB evidently believe that work on Asfordby, most expensive of the three pits originally planned, could even begin this year.

The original Belvoir mining plan called for pits at Asfordby, Saltby and Hose, but the Government refused a go-ahead, on environmental grounds. A main reason for the decision was that the Hose site was in the Vale of Belvoir itself, an area of great natural beauty. This was the cause of strong local objection.

But Mr Michael Heseltine, the Environment Secretary, made clear at the time that the NCB was to try again for permission to mine at Asfordby and Saltby, with better arrangements for tipping waste.

The NCB has tried to lessen the impact of tipping with its latest application for Asfordby. The amount of land required for tipping there has been reduced from the original 114 hectares to 84, and the amount of waste to be disposed of annually by 100,000 tonnes, to 450,000 tonnes a year.

The NCB says it can cut down on waste output originally planned in three ways: improved technology; use of some waste to fill in old quarries, gravel workings and railway cuttings; and a redesigned tipping scheme.

Plans for the pit itself remain largely unchanged. It would give access to 146m of the estimated 510m tonnes of coal reserves in north-east Leicestershire.

Fully developed, it would have an annual output of 2.2m tonnes and ultimately employ 1,100.

The NCB is expected to see how the Asfordby application fares before considering another submission for Saltby.

The Duke of Rutland, of Belvoir Castle, who originally threatened to lie in front of bulldozers to protect the Vale from mining gave a guarded welcome yesterday to the latest plans.

The Duke said: "This land, which is adjoining an industrial and commercial area, could be suitable for mining, provided it stops there.

"It must also be recognised that it will give employment to a lot of people who will not have to intrude further into the Vale.

"But we are still not convinced there is a need for this mine at all. We might well be prepared to accept this mine, providing there are essential environmental safeguards."

Health unions win more support

BY PHILIP BASSETT IN BRIGHTON AND IVO DAWNAY IN BRIDLINGTON

HEALTH SERVICE unions continue to intensify their campaign of industrial action and are winning more support from other groups of workers.

Evidence of growing pressure from grass roots activists for an escalation of the dispute emerged on the eve of the Confederation of Health Service Employees conference in Bridlington yesterday.

An emergency resolution put by the union's Dundee branch claims that industrial action has so far proved "completely ineffective" and calls for all-out strikes at selected key hospitals across the country in pursuit of the 12 per cent pay rise jointly sought by 11 NHS unions.

The motion is markedly more militant than an alternative emergency resolution agreed by the national executive committee yesterday—though that also proposes an escalation of selected stoppages. The NEC strategy calls for a rotation of strikes by staff groups in different hospital departments aimed at reducing all NHS hospitals to accident and emergency cover only by the end of the month.

Explaining the NEC motion, Mr Albert Spanswick, general secretary of Cohse, said the new action would involve more strikes, taking place at shorter notice and alternating rapidly from department to department and hospital to hospital.

Health Service representatives in the National and Local Government Officers' Association, which has about 100,000 members in the NHS in clerical and administartive areas, will be asked today to approve stepping up industrial action.

Unions such as the National Union of Public Employees, whose hospital ancillary members are at the centre of the action, regard the continued involvement of Nalgo members as crucial.

Delegates to Nalgo's health group meeting at its annual conference in Brighton today are expected to give overwhelming support to an emergency motion on the dispute.

The resolution "regrettably concludes that it will be necessary to escalate the industrial action in accordance with the guidelines issued by the TUC health services committee, with the aim of ensuring that health services are reduced throughout Great Britain to an accident and emergency service only by June 23, 1982."

● Mr Michael McGahey, president of the 15,000 Scottish mineworkers, has called on his members to strike on June 23 in sympathy with the health service workers, whose next 24-hour stoppage is on that day.

Unions shun 'quit EEC' drive

BY JOHN LLOYD, LABOUR EDITOR

THE TUC campaign for withdrawal from the European Economic Community, a policy which won a large majority from delegates at Congress last September, has had an apathetic response from most unions, and wide divisions of opinion in a few.

Next Wednesday's meeting of the TUC General Council will receive a report from its Economic Committee recommending a cautiously low-key campaign on withdrawal.

This contains only six replies from the 108 affiliated unions to a call from the committee in February seeking suggestions for an effective campaign.

Of the six that answered, only three argued for withdrawal. Of the four TUC committees that made submissions, three were non-committal factual statements and one, from the Steel Committee, strongly against withdrawal.

The General Council will be asked to approve publication of a leaflet on the failings of the Common Agricultural Policy before the next Congress, and a longer pamphlet, to be published in October, on the issues facing the UK if it withdrew from the EEC.

Left-wingers on the Council are likely to argue for a more vigorous exercise, but will be hampered by the apparent indifference to the issue.

The TUC is further inhibited by its need to continue dealings with the EEC while preparing for a campaign to sever connections with it.

The Economic Committee document to the General Council notes that the campaign must cover "the need to fight for EEC policies which benefit the UK while we remain a member of the Community."

The unions' and TUC committees' submissions to the Economic Committee report are, with few exceptions, of little help to construction of a campaign.

Only the Association of Scientific, Technical and Managerial Staffs, and to a lesser extent the Transport and General Workers' Union, make suggestions for issues to be raised in the campaign.

The TGWU submission, in a letter from Mr Moss Evans, its general secretary, to Mr Len Murray, the TUC general secretary, includes a plea for a relatively stringent protectionist policy after withdrawal.

Mr Evans writes: "Frankly, I think we ought to look at the prospect that a serious negotiated withdrawal by Britain would, properly handled, create a constructive crisis in which a whole number of tariff arrangements could be reconstructed.

The longest and most closely argued submission is from the Electrical and Plumbing Trades Union, which mounts a sustained argument against withdrawal.

Its conclusions are supported by the TUC Steel Committee, which says that its members "see no realistic alternative . . . to accepting the continuance of the same form of European control and co-operation in relation to prices, output and investment policy . . . the present relationship between the UK and the other EEC members must be maintained."

Fisheries plan upsets Denmark

BY LARRY KLINGER IN BRUSSELS

THE European Commission is expected this morning to adopt new proposals, designed to form the basis of a Common Fisheries Policy (CFP), which are likely to isolate Denmark for the first time in the history of the protracted dispute over fisheries.

While the measures are expected to meet broad acceptance in the majority of the European Community's member-states, they are sure to be strongly opposed by Denmark if they are adopted by the Commission in their present form.

On the other hand, as seen from Britain, France and West Germany, the proposals for the first time strike a balance that might at last pave the way to a fisheries policy and thereby end a bitter EEC dispute which has defied resolution for nearly six years.

So strong is the opposition in Denmark, to the suggested quotas for its fishermen, however, that Mr Poul Dalsager, the Danish Commissioner, is making no secret of his disenchantment.

He has felt compelled to reflect faithfully Danish preoccupations over the issue and may feel forced to let it be known that his objections are being over-ridden by his fellow Commissioners.

The proposals follow extensive rounds of talks over the past six months involving the Commission, Britain and the other main EEC fishing nations.

It is now being proposed that Britain be granted new ten-year arrangements that would preserve its exclusive six-mile coastal zone and its additional six-mile belt in which only limited access is allowed to meet the historical rights of other EEC countries.

Another British demand that is likely to be met is for a wider area of limited access around the north east of Scotland, including the Orkney and Shetlands Islands, to be policed by Britain

Britain would also be guaranteed a review within ten years to establish a continuation of preferential coastal limits.

On the other main outstanding issue—the question of the share-out of the EEC's limited fish stocks to the various member states—the Commission is close to meeting the demands of the majority of the main fishing nations, though still far from satisfying Denmark.

Weather

UK TODAY

SUNNY periods and showers.

London, S., N.W. England, Midlands, Wales, S.W. Scotland and N. Ireland.
Sunny intervals, becoming cloudy with showers. Max 18C (64F).

Glasgow, Argyll, N.W. Scotland and Central Highlands.
Sunny periods with isolated showers. Max 12C (54F).

Rest of England and Scotland.
Cloudy with showers. Max 15C (59F).

Outlook: Unsettled.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	21	70	L. Ang.†	C	15	59
Algiers	S	29	84	Luxmbg.	C	14	57
Amsdm.	C	14	57	Luxor	S	42	108
Athens	S	26	79	Madrid	F	24	75
Bahrain	S	33	91	Majorca	C	29	84
Barclna.	F	24	75	Malaga	S	32	90
Beirut		—	—	Malta	S	32	90
Belfast	C	12	54	M'chstr	C	13	55
Belgrd.	T	21	70	Melbne.	F	14	57
Berlin	C	16	61	Mx. C.†		—	—
Biarritz	C	18	64	Miami†	F	25	77
Bmghm.	C	14	57	Milan	C	22	72
Blackpl.	C	13	55	Montrl.†	C	16	61
Bordx.	R	18	64	Moscow	C	13	55
Boulgn.	C	12	54	Munich	C	15	59
Bristol	C	13	55	Nairobi	C	24	75
Brussels	C	12	54	Naples	C	24	75
Budpst.	C	19	66	Nassau		—	—
Cairo		—	—	Nwcstl.	C	11	52
Cardiff	C	13	55	N York†	R	11	52
Cas'b'ca	S	22	72	Nice	S	25	77
Cape T.		—	—	Nicosia	S	29	84
Chicg.†	F	13	55	Oporto	C	17	63
Cologne	R	13	55	Oslo	C	13	55
Cpnhgn.	R	13	55	Paris	R	17	63
Corfu	F	26	79	Perth	C	15	59
Denver†	C	13	55	Prague	C	15	59
Dublin	C	13	55	Rykjvk.	R	7	45
Dbrvnk.	F	24	75	Rhodes	S	25	77
Ednbgh.	C	14	57	Rio J'o†		—	—
Faro	S	23	73	Rome	S	25	77
Florence	R	19	66	Salzbrg.	R	13	55
Frankft.	F	18	64	S'cisco†		—	—
Funchal	S	21	70	S. Mritz		—	—
Geneva	R	11	52	Singapr.	T	25	77
Gibrltr.	S	29	84	S'tiago†		—	—
Gl'sg'w	C	13	55	Stckhm.	F	11	52
G'nsey	S	16	61	Strasbg.	R	14	57
Helsinki	C	9	48	Sydney	C	16	61
H. Kong	F	31	88	Tangier	S	24	75
Innsbrk.	R	14	57	Tel-Aviv	S	27	81
Invrnss.	C	11	52	Tenerife	S	23	73
I.o.Man	C	13	56	Tokyo	C	27	81
Istanbul	S	27	81	T'r'nto†	R	15	59
Jersey	F	17	63	Tunis	S	24	75
Jo'burg	S	19	66	Valencia	S	30	86
L. Plms.	F	23	73	Venice	C	17	63
Lisbon	C	20	68	Vienna	C	18	64
Locarno	C	16	61	Warsaw	F	18	64
London	C	14	57	Zurich	C	13	55

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.